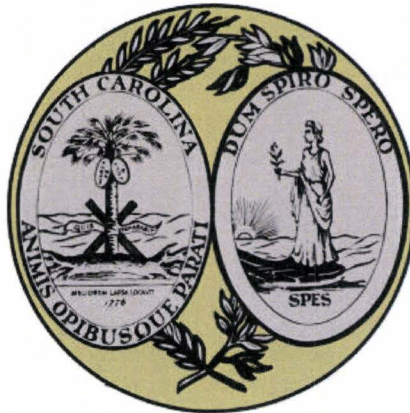


# **Certified Public Manager Project**

## **An Opportunity for Taxpayer Savings through Improving Statewide Accounts Receivable Practices**



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## **I. Background**

### **A. Objectives**

This review was predicated upon FY 2013-2014 Legislative Proviso 117.38, which required each agency to produce a past due debt report, known as the Annual Debt Collection Report, summarizing agency receivables in excess of 60 days. Along with others, those reports are sent to the Office of the State Inspector General (SIG), which is charged with reducing fraud, waste, and abuse in state government. The calendar year 2013 report determined the aggregate Executive Branch agency accounts receivables in excess of 60 days to be \$1,021,950,073, which was a 74% increase from the \$585,589,463 in 2012. (Appendix A & B) The sheer significance of more than a billion dollars in agency self-reported past due accounts receivables, necessitated a review of statewide accounts receivable programs, particularly the practices of collecting past due debt.

### **B. Problem Statement**

Given the aggregate past due accounts receivables, opportunities to improve accounts receivable collections on a statewide basis could yield significance taxpayer savings in both bad debt avoidance, lower administrative handling costs, and enhanced cash flow management.

### **C. Scope of review**

This review's objectives were:

- Survey a representative sample of agencies' accounts receivable programs to develop a baseline understanding of the operations of accounts receivable programs statewide;
- Identify accounts receivable best practices in state government; and
- Identify potential strategies to improve accounts receivable collections on a statewide basis.

#### **D. Data Collection**

In an attempt to minimize the waste of one billion dollars in accounts receivable, collection efforts were reviewed and recommendations made as to some best practices for the state. All agency debt collection reports, for 2012 and 2013 were reviewed and over thirty separate state agencies were interviewed to determine debt collection practices in SC State Government (summary data appears in Appendices A and B). Several solicitor's offices provided assistance regarding the Worthless Check Units. SC Interactive (SC.Gov) was also a great resource for electronic data management and payment options. Department of Revenue and the Executive Budget Office were involved throughout the project. Finally, an overview of collection practices in other states, and the private sector, as well as research into industry standards for electronic fund transfers and relevant information security issues was conducted.

#### **II. Survey of Accounts Receivable Programs in the Executive Branch**

The aggregate of over one billion dollars comes from all state agencies that reported and includes many different types of debt to collect. While some recommendations, may cover small percentages at a single agency, the total amount of funds owed to the state of South Carolina by individuals or organizations that are not paying what is due cannot be overlooked. These non-payments drives costs up for the rest of society and creates unnecessary financial constraints for agencies who are unable to recoup costs for services.

Per Legislative Proviso 117.38, each agency is to report the amount of its outstanding debt (over sixty days old) at the end of each calendar year and include all methods it has used to collect that debt. For the purposes of this review, aged receivables are deemed to be account balances outstanding for a period greater than sixty days. This report is due to be submitted by the end of February each year. In a review of debt collection reports, several agencies which have accounts receivable did not submit debt collection reports as required by the Proviso. Most notably among these were the fourteen technical colleges in South Carolina. The SC Technical



College System (Tech Board) turned in a report each year, but the separate schools did not. Upon discovery of the oversight, the State Tech Board worked to obtain the reports from all the technical colleges. There was a wide range of discrepancies in reporting receivables making an agency to agency comparison difficult. For example, one agency reports all debt since the inception of the agency and another only reports debt outstanding for the last 12 months. Some agencies broke out types of receivables while others did not. Therefore, there was no accurate data to definitively calculate the total outstanding amount for certain types of debts such as FOIA requests, vendor overpayments, or NSF checks.

In an effort to create a comparative framework for future reports, I worked with the Executive Budget Office (EBO) to both facilitate and standardize reporting requirements beginning in 2015. (See appendix G) **In short, agencies should report total aged receivables (over 60 days old) which are still on the agency's books (i.e. not written off).** EBO will also collect information as to whether an agency uses DOR's collection services (GEAR/Set-off), US Treasury Setoff (if available), or private sector collection agencies.

### **III. Opportunities for Individual Agency Improvement By Applying Best Practices**

The best practices for debt collection can be summarized in a few steps: prevention, early, often, and collect locally. However, to be effective, organizations need to have an effective policy for aged receivables along with a standard set of procedures which are implemented along a set timetable from the inception of the receivable until collection. Having uniform policies and procedures, with periodic review to increase efficiency, is the start to building a system with a model of continuous improvement.

#### **A. Prevention**

The best way to collect on an accounts receivable, is to prevent the creation of one at the beginning. If possible, agencies should collect fees for goods or services before delivery is taken by the consumer. In laymen's terms this is called "getting your money up front." In our current marketplace, consumers are used to paying for

goods and services before taking ownership. Consider any online purchase wherein a customer has to pay for both the product and shipping before any good is delivered.

SIG found several agencies that use an antiquated model of delivering services or products, then invoicing after the fact. SIG found several agencies that rent space but don't collect payments up front. At least one of those, rented space to other state agencies and had collection issues. This is easily solved by requiring an interdepartmental transfer of funds prior to the rental.

A workable example would be document copy or FOIA requests wherein an agency has charges to offset costs. Those copies could be held until payment is made by the requestor. While FOIA requests are a relatively small amount of any agency's expenses, this is a preventable item in aged receivables.

Department of Archives and History showed that 40% of the agency receivables was eliminated from 2012 to 2013 when a pre-payment policy for publications was implemented for records and research.

#### **B. Invoice at delivery**

There are those occasions where a good or service must be delivered before payment is made to the agency. However, even in those situations, an agency can request a deposit, minimum amount, or an estimated portion of the final cost to be paid up front with the remainder due at delivery. Invoices should be remitted at delivery or as close as possible in order to speed up the payment process. Several agencies averaged over 30 days after delivery to send out initial invoices. If an agency waits 30 days to send out an invoice and the recipient waits another 30 days to pay, payment on the receivable is pushed out over 2 months after delivery date.

In receivables, the age of the debt is a determining factor to the ability to collect. The newer the debt, the more likely it is that it will be collected. (Pioneer) Setting the tone for earlier payment begins with the initial invoice. Payment terms should be 'due upon receipt.'



### **C. Invoice often**

With collections, the adage “The squeaky wheel gets the grease” has never been truer. Just as important as it is to invoice at delivery, following up quickly with past due notifications is essential to collections. If each collection contact is an opportunity to collect an outstanding balance, then frequent reminders create more opportunities for payment. Sending invoices via email is inexpensive and delivery receipt is easily confirmed.

### **D. Call in between invoices**

Placing a phone call to the customer to check on payment between invoicing periods serves as both a reminder for payment and a confirmation of receipt of the invoice. There is no reason to let the account sit for thirty days to make contact. Most private collection agencies have two methods to collect debt: letters and phone calls. Each state agency has this ability as well and moving up the practice to place calls earlier improves collection.

One finance director had her team invoice each month and place calls at the midpoint between emails. She found this reduced the time that companies took to pay her agency.

### **E. Collect Locally**

In state government, almost everything is centralized in the main office of each state agency. Ironically, the best approach to collections is to de-centralize collection efforts. Pushing out the collection function as close as possible to the customer brings the process back to the actual people on the ground working with the customer or consumer. Even if an agency chooses to send out invoices from a central location, informing the agencies direct contacts with the customer or consumer, will increase collections.

MUSC produced a Lean Six Sigma project to both reduce receivables and create a tuition forecast tool for better financial planning at the school. (Appendix F) As part of this project, students were contacted more frequently

about deadline and balances due. The individual colleges within the University were also made aware of aged student receivables. The result was a decrease in receivables of \$525,637 or 61.4%. The finance team relayed one incident where a student was in a college office and saw the finance department number show up on an incoming caller id of a phone. The student offered to immediately pay his balance due, if the college official would not answer the phone.

One agency interviewed makes each department responsible for its own collections. If an account goes unpaid, it is directly deducted from that department's budget.

Another agency noted that when the front line employees that delivered products were aware of past-due obligations of the customer, the collections increased. Having news of unpaid accounts circulate from the bottom up in a business, can increase collections. Businesses do not want to face employee morale issues. In a 2012, US News and World Report, the number one sign that it is time to leave your company is when the bills are not paid on time. (US News & World Report August 30, 2012, "*Scary Signs that it's time to leave your Company.*")

#### **F. Late Payment Penalties and Collection Costs**

Many state agencies do not charge late payment fines or collection costs. The result is that there is no penalty on the payor for being delinquent. Sometimes, the best motivation to paying a balance due is knowing that the total will be raised after the deadline. Without a penalty, the deadline becomes ineffective. SIG found other agencies, which did pass along collection costs, to the delinquent payor.

Some agencies reported that their fees were set by statute and did not allow for late payment penalties or to suspend activities for non-payment. SIG would suggest that agencies conduct an internal review and determine

if a request to change related legislation would be in order. The state, if possible, should be uniform in passing along reasonable collection costs and fees to the parties who are not paying in a timely fashion.

#### **G. Exploit Technology**

An accounts receivable program has many procedures that can be automated to increase collections and lower administrative handling costs. The best example is a secure online payment system that both gets payment up front and lowers administrative handling costs. Another example was an agency worked with the Division of Technology, BCB, to create an auto-call program and automatic email for delinquent accounts. The procedures of an accounts receivable program provide ample opportunity to exploit today's technology to improve a program's efficiency and effectiveness.

#### **H. Doubtful Accounts Receivable Policy**

Unfortunately, there comes a time in the collection process where the debt is determined to be uncollectable. When an agency writes debt off for accounting purposes, it may differ from when the agency stops collection efforts. Given the different state and federal statutes of limitations applying to different state agencies, it is not possible to create a statewide policy on the appropriate time to write off bad-debt. However, each agency should develop a policy to help control administrative handling costs. Examples of write-off time frames used by various state agencies include three years after no payment on the debt; applicable statute of limitations; and when judgments or liens of record expire.

#### **I. Proactive Vigilance-Leadership**

One finance director reported that eliminating the 60-90 column for aging receivables dramatically changed the collection focus for her finance department. She changed the expectation, and thereby changed the behavior of the customers. All but three of this agency's customers were now paying within the 60 day window.



Several agencies interviewed for this project were charged with collecting funds on behalf of another agency. At best, this was a perfunctory function and at worst, these funds were among the lowest priorities for the collecting agency. While these plans may have been set up for efficiency, some diligence has to be maintained by the ultimate recipient, in order to ensure success.

Other agencies are tasked with collecting funds from municipalities or local school districts to cover a portion of the agencies cost for goods or services. Each of these agencies interviewed noted problems with trying to collect these funds from poorer localities that had not budgeted nor anticipated having a state agency expense. Other localities that did pay, often did so once per year which inhibited the agency's cash flow and created issues with budget forecasts.

Several agencies interviewed had situations where vendors had been overpaid, or in some case overcharged. This activity set up a receivable situation wherein the agency was trying to recoup payments made. A similar issue arose with another agency wherein prior employees were paid for a period of time after they had left state employment. The agency was trying to recoup those payments. In those cases, payroll was not properly terminated when employees left the agency and the employee continued to be paid by the agency. The first situation requires a certain amount of vigilance on the part of the accounts payable section of state agencies and the second requires the same of human resource sections.

#### **IV. Opportunities for Improvement through Statewide Strategies**

##### **A. Leverage SC Department of Revenue Collection Capabilities**

Unique to South Carolina state government is our own internal collection agency, the South Carolina Department of Revenue (DOR). This agency's core mission is to collect funds on behalf of the state. In addition to tax collection, the agency has two collection programs which are available to all state agencies to



promote collection of their past due receivables: the Tax Set-Off Program (Set-Off); and the Government Enterprise Accounts Receivable Program (GEAR).

Set-Off is DOR's best known program among state agencies. After appropriate notice by the agency, past due accounts receivables can be turned over to DOR once a year in the fall. These past due accounts are then matched up against any tax refunds due a taxpayer. If there is a refund due, the balance due to a particular agency is off-set from the refund and remitted to the agency. DOR charges a fixed \$25 fee per refund set-off, which is collected from the taxpayer's refund if available (See Appendix C for a complete guide to Set-Off).

GEAR is the more intensive collection effort on the part of DOR. GEAR uses traditional collection methods found in the private sector, such as demand notices and telephone calls. However, it has a uniquely distinguishing capability to levy against assets and to garnish wages to satisfy the debt owed. This capability creates the leverage with debtors to normally respond to GEAR's initial demand without the need to move forward with a levy or garnishment. Other attributes of GEAR are:

- GEAR charges a 28.5% collection fee, which is deducted from the balance owed to the agency and is higher than private debt collectors ranging from 20-25%. GEAR is unable to add its 28.5% collection fee to the collection debt even when the agency has a legal basis to require a debtor pay collection costs. Using GEAR, even if the entire debt is recovered, the agency will only net 71.5% of the past due account balance. Agencies can submit past due accounts to GEAR throughout the year.
- Debt placed for collection in the GEAR program is also automatically placed in the Set-Off. DOR uses Set-Off as the recovery of first choice with the lower fixed fee of \$25. Those accounts not satisfied by Set-Off are then subject to GEAR's more rigorous recovery methods and charged the dramatically higher 28.5% collection fee. (See Appendix D for a complete guide to the GEAR).

Before an agency can avail itself to either Set-Off or GEAR to collect debts, the agency must exhaust all internal channels to collect the balance owed; any right of contest or appeal regarding the balance owed should be expired to satisfy due process standards; and the agency must send a notice to the debtor the account is being turned over to DOR for collection.

This review identified five issues inhibiting state agencies from fully exploiting DOR's past due accounts receivable collection programs, which were:

- Many agencies did not have an accurate understanding of Set-Off and GEAR: Many agencies contacted were unaware of the programs available at DOR. Of the two, Set-Off was generally better known and utilized than GEAR. Many agencies did not understand the distinctions between the two programs or aware they had access to both programs. A common misunderstanding was that an agency could not continue collection efforts or to accept payment after an account had been turned over to GEAR where that could be done under Set-Off. DOR does allow payment to be collected by the agency in both programs after an account is turned over to DOR.
- GEAR's 28.5% fee was higher than the private debt collectors: GEAR's 28.5% collection fee was substantially higher than private debt collectors, which ranged from 20% - 25%. Many state agencies have opted to use private debt collectors over GEAR to save collection fees. According to DOR officials, the 28.5% rate was artificially set higher than private debt collectors at the inception of GEAR in 1997 to address claims of unfair competition by private debt collectors with existing state agency contracts. GEAR also represented itself as a collection effort of last resort, which tended to promote the use of private debt collectors to collect delinquent public debt.
- GEAR does not pass on its collection fees to debtors: Several state agencies using Set-Off opted out of using GEAR because GEAR could not pass on its collection fees (28.5%) to debtors even when the agency had a legal basis to require a debtor pay collection costs. Some agencies have established a legal basis with debtors to charge late fee penalties, which both incentivize on-time payment and serves as a cost recovery measure for the additional administrative handling costs. Also, some agencies operated under federal guidelines which precluded allowing for the collection costs to be deducted from the underlying accounts receivable debt, thus preventing these agencies from using GEAR.
- DOR requires taxpayer identification numbers on accounts submitted for collection: Some agencies do not have the debtor's taxpayer identification number, which prevents the agency sending the debt to Set-Off or GEAR. Another state agency has this information which, if shared, could increase collections. Rather than having each agency request this sensitive information before submitting accounts to DOR, there is a greater likelihood of accessing this data under highly controlled circumstances through just one agency, DOR, to simplify logistics and information security risks.
- DOR technology interface with agencies needed improvement: Several issues with data transmission mechanisms to DOR and format were raised. During the review, DOR addressed these concerns for both Set-Off and GEAR.

An example of the potential benefit of fully exploiting GEAR, an agency approached DOR regarding the handling of collections through GEAR. This agency requested concessions for a reduction of the 28.5% fee, as well as the need for GEAR to collect its late fees from the debtor inasmuch as the agency's debt was covered by



federal regulations prohibiting collection fees being deducted from the underlying debt. DOR, at the time, was unable to accommodate the request. As a result, this agency is now proceeding with a separate Request for Proposal (RFP) for a private collection agency to handle this debt, which was well over \$100 million in past due accounts. If awarded, collection fees on this large debt will move out of the figurative state pot and into the hands of a private collection company. A review of the statewide procurement contract for higher education debt collection services identified 19 vendors; 17 vendors were out of state and two had South Carolina addresses.

Outsourcing an activity certainly makes sense when the activity can be handled more cost effectively or the organization doesn't have the capability to perform the activity. However, in the case of past due accounts receivable collections, the state has an agency specifically designed to handle this activity with unique capabilities not found in the private sector. Private sector collection companies are not to be discouraged, but state government should be given the first opportunity to collect its own debt and lower the state's collections costs if it can adequately compete. Additionally, allowing GEAR to be the first choice of agencies' collection efforts will result in GEAR having access to past due debt sooner to enhance collectability. Currently, many of GEARs past due debt comes after private sector companies have failed in collection efforts.

During this review, DOR noted its interest in understanding how the agency, particularly GEAR, can better serve state agencies. DOR described the history of GEAR being considered the debt collector of last resort, which certainly played a role in the existing factors inhibiting agencies from using GEAR. DOR deemed it had some flexibility to address the issues identified inhibiting state agencies from fully exploiting GEAR, while some changes, such as adding its collection costs to the debt, will require legislative action. With seemingly modest modifications to GEAR, DOR could stand as the collection agent of first resort for all state agencies after exhausting their internal efforts, rather than the last. DOR should be able to lower its fees charged to state

agencies after it recovers its fair costs, which, in turn, will incentivize agencies to use DOR for cost savings. Given its unique capabilities and potential significant collection cost savings to agencies and, correspondingly, taxpayers, GEAR should have the first opportunity to collect the state's debt as long as it is competitively advantageous over private sector collections agencies, many of which were out of state.

#### **B. Statewide Mechanisms to Address Bad Checks**

Almost every agency reviewed had some issue with checks returned for insufficient funds, ranging from five checks per year at one agency to another's entire accounts receivable composed of over a million dollars in returned checks. In addition to bad debt potential of these checks, many agencies commented on the corresponding administrative handling costs just to attempt to try to collect on a returned check.

If a check cannot be collected after proper notification, the proper venue in the private sector to enforce collection is usually a local Magistrate's court due to the small dollar amount involved. However, state agencies are prohibited from bringing an action to collect, under SC Code Ann. § 22-3-20, in Magistrate's court. As a result, a state agency can't enforce a collection action except in the Court of Common Pleas which has significantly higher fees and higher thresholds.

Only two agencies in this review used Worthless Check Units (WCU) in local Solicitor's offices to address bad check debt; both agencies reported positive results. Writing a bad check is an unlawful act under SC Code Ann. §34-11-60 (a). Almost every state Solicitor's office has a WCU with a reported recovery rate ranging between 60%-80%. There is no cost to an agency and the WCU takes care of all notices to the offender. The fees charged by the solicitor's office are added to the check balance, so the agency is made whole. All this is done on a very simple WCU form with the check attached (see Appendix E).



Agencies' difficulties in dealing with checks included:

- Several agencies wanted a check verification system, which would immediately determine if a check was good or not, but determined their check volume was insufficient to warrant the expense of such a system;
- Several agencies reported that most of their insufficient fund checks came from businesses or organizations, which many check verification systems did not cover;
- One agency had an entire revocation process with hearings that had to be followed if someone paid with a worthless check;
- Other agencies, per their legal counsel, had no statutory authority to revoke a license or filing, even if the check presented for the license had insufficient funds; and
- Several agencies were hesitant to intensely pursue collection of bad checks for fear of citizen pushback impacting their constituent service reputation.

The best solution to this problem is by simply refusing to take checks, which one agency has successfully used.

Given the advent of paperless payment systems with paper checks on the decline, this may be an option for other agencies in the future. In the meantime, possible statewide strategies include a legislative change allowing state agencies to bring an action to collect in Magistrate's court and agencies utilizing WCUs in local Solicitor offices.

### **C. SC.Gov**

SC.Gov, a public-private partnership with the State of South Carolina and SC Interactive, hosts many state agency websites at no cost. SC.Gov can set up an online payment system for an agency. Agencies have no out of pocket expense for this service, but SC.Gov does add a transaction fee. Many agencies have modified regulations to allow passing this transaction fee on to the customer. SC.Gov can also automate customer data submitted with a payment, at no charge, which would eliminate manual processing by the agency. When

interfaced with an agency's billing application, the process can also be set up to disallow late filings without a late fee being charged.

As an opportunity to leverage SC.Gov, two agencies were identified with past due accounts receivables almost entirely made up of late filing fees, which could be eliminated by using SC.Gov. A second example pertained to two small schools having almost identical business models, yet one used SC.Gov to electronically handle payments up front and online, while the other invoiced for payments due. The school not using SC.Gov had accounts receivables while the other using SC.Gov had none.

#### **D. Leveraging Multi-Agency Capabilities**

Many examples were identified where cooperation among agencies created leverage to more effectively collect past due accounts payables. Examples included:

- SC Business One Stop (SC BOS) is an online interface through DOR allowing business owners to file forms and make payments to many state agencies. This creates a single entry point for the business to be able to submit both data and payments to many agencies, to include the Secretary of State, the Department of Employment and Workforce, Consumer Affairs, DOR, and many others.
- One agency worked with DTO to create an auto-call program and automatic email-outs for delinquent accounts.
- A retailer cannot obtain a lottery license until all delinquent sales tax was paid;
- Several agencies queried the Department of Health and Environmental Control's death certificate database, which allowed for a more timely termination of state benefits and a prevention of an accounts receivable; and
- Each vendor doing business with the State is issued a unique code number through SCEIS. Once a business has been levied by DOR for unpaid debt, the Comptroller's Office manually blocks payments to that business and any funds are re-routed to DOR to satisfy the debt.



The review also identified situations where agencies possess unique data, which if made available to other state agencies, could enhance the effectiveness of accounts receivable collections and many other potential efficiencies. A good example was an agency had a database containing essentially all relevant identifiers for most residents of South Carolina. Access to that database by other state agencies had the potential benefit of obtaining information to enhance other agencies' collection capabilities. Another example was a number of agencies desired to access the Department of Labor, Licensing, and Regulation's (LLR) employment verification database, E-Verify, to enhance identifying benefit recipients quickly whose benefits should be stopped due to obtaining employment. Access to this database would be extraordinarily helpful, but current federal Homeland Security regulations prevent sharing this information.

The challenge in developing these reciprocal leveraging benefits are the inherent complexities of information security risks, additional costs of providing information, and restraints from sharing based on state or federal regulations or laws. An ad hoc approach among sister state agencies should be encouraged. However, a better approach to stimulate systematic improvement would be to develop a central strategic view to better assess the costs/benefits of such information sharing arrangements, so the long-term benefits can be shared broader and prevent developing an ad hoc patchwork of individual arrangements. For example, many bad checks cannot be turned over to Set-Off because the agency lacks the Social Security number of the debtor, yet one state agency has the capacity to provide this information from its data base. Having one agency, such as DOR, interface with this one state agency would be much more feasible, from both efficiency and information security, than 100 Executive Branch agencies making independent requests. The SIG suggests development of DOR's programs to have a more central role in statewide accounts receivable collections may provide the platform to understand other potential leveraging opportunities.

## **V. Way Forward**

One finance director related the collection process as a series of waterfalls. At each step, there is the opportunity to collect funds. Rather than just going through the motions at each point in the process, finance teams need to pro-actively work each step to maximize effectiveness. This review discovered many agencies which did not push enforcement of collections out of fear of political repercussion. However, these accounts are comprised of individuals or entities that owed the state for goods or services they have already received. By ignoring these accounts, or treating them softly, an inherent burden is placed on everyone else that has paid their fair share. Agencies either have to increase fees to cover the nonpayers, or reduce services offered, in order to stay within their budgets.

Many agencies interviewed also stressed how low the percentage of aged receivables was compared to the entire agency budget. With the total amount owed to the state at over \$1 billion for 2013, each agency needs to be diligent in collecting its receivables. Even a small improvement in both prevention of bad debt and lowering administrative handling costs on a large number in past due accounts receivables leads to significant taxpayer savings; a small percent of a big number can be a big number.

## **VI. Evaluation Method**

As an interim step until the Department of Administration is fully developed, the SIG will facilitate and stimulate statewide improvement by annually organizing agencies' annual accounts receivables over 60 days, also known as past due, and place the data on its web page. Agencies will be able to track their year to year improvements, as well as compare their results to other agencies with similar business models and customers. The management adage of, "what gets measured gets improved," is quite applicable to moving statewide accounts receivable practices forward to yield taxpayer savings.



## **VII. Findings & Recommendations**

**Finding #1:** The effectiveness of agencies accounts receivable programs varied statewide on a spectrum from excellence to complacency with very few programs having success metrics, all of which indicated an opportunity for statewide improvement through improving individual agency accounts receivable programs.

**Recommendation #1a:** Agencies should compare their respective accounts receivable programs to best practices to identify potential opportunities to improve based on each agency's unique business model.

**Recommendation #1b:** Agencies should require their respective accounts receivable programs adopt a continuous improvement model of identifying success metrics for periodic evaluation and feedback to the program to stimulate continuous improvement.

**Finding #2:** The 2013 Annual Debt Collection Report of agencies' accounts receivables in excess of 60 days produced data with accuracy and reliability concerns.

**Recommendation #2:** The Executive Budget Office, Department of Administration, should assume ownership of the Annual Debt Collection Report and improve the format to increase the accuracy and reliability of the data to measure statewide progress, as well as provide feedback and lessons learned on an annual basis.

**Finding #3:** The DOR Set-Off and GEAR programs were under-exploited and provided unique opportunities for statewide improvement to all agencies' accounts receivable programs.

**Recommendation #3a:** DOR should consider improving its communication strategy to inform state agencies about the capabilities of the Set-Off and GEAR programs and change its marketing posture to be state agencies collection agency of first resort rather than last.

**Recommendation #3b:** DOR should consider recovering GEAR's fair costs and then lower its fees charged to state agencies, which, in turn, will incentivize agencies to use DOR for cost savings.

**Recommendation #3c:** DOR should consider allowing, which will require legislative approval, GEAR to add its collection fee to the debt owed, thereby passing the cost of collections to the debtor rather than the state agency.

**Finding #4:** State agencies ability to efficiently collect bad check debt was hampered by state law (SC Code §22-3-20) preventing State agencies' ability to bring an action to collect in Magistrate's court.

**Recommendation #4:** The legislature should consider amending state law (SC Code §22-3-20) to allow state agencies to bring small collection matters in Magistrate's Court for the collection of debts or to enforce collection on bad checks.

**Finding #5:** Several agencies chose not to add late penalties or collection costs or were not allowed due to state policy, regulation, or statute, thus taxpayers absorbed the costs of collecting on past due accounts, including the costs of collection agencies.

**Recommendation #5:** Agencies should review their appropriate policies, regulations, and statutes, and consider amending same to allow for the addition of reasonable collection costs for past due accounts.



**Finding #6:** A small percentage of agencies interviewed referred bad checks for collection to their local Solicitor's Worthless Check Units, which essentially was a free and effective collection service.

**Recommendation #6:** Agencies should consider using their local Solicitor's Worthless Check Unit to assist with collection of bad checks.

**Finding #7:** Not all agencies interviewed had a written policy when a debt was deemed uncollectable.

**Recommendation #7:** Agencies should review their accounts receivable policies and amend, if necessary, to establish a uniform method for writing off bad debt, both from an accounting and collection perspective.

**Finding #8:** Agencies have developed information sharing initiatives with other State agencies which have enhanced the prevention of bad debts and lowered administrative handling costs.

**Recommendation #8a:** Agencies should consider opportunities to improve their prevention and collections of accounts receivables through information sharing with other State agencies.

**Recommendation #8b:** The DOR, as a central component of statewide accounts receivables, should seek to identify and stimulate potential information sharing arrangements that benefit statewide prevention and collections of accounts receivables.

**Finding #9:** The vast majority of state agencies reviewed did not develop accounts receivable success metrics which serve as the foundation for a program to sustain continuous improvement.

**Recommendation #9:** The SIG will aggregate, organize, and disseminate the results of the Annual Debt Collection Report to facilitate and stimulate statewide improvement of agencies' accounts receivable programs, which will allow agencies track year-to-year improvements, as well as compare their results to other agencies with similar business models and customers.



## **List of Appendices**

- A. 2013 Annual Debt Collection Report
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  - A-2: Sorted by Amount
  - A-3: Technical Schools
- B. 2012 Annual Debt Collection Report
- C. 2015 DOR Debt Setoff Package
- D. 2015 DOR GEAR Package
- E. Worthless Check Units in South Carolina
- F. MUSC Lean Receivables Project
- G. Draft Uniform Agency Debt Collection Report
- H. Contact Information
- I. Published SIG Report on Aged Receivables

# Appendix A-1

Sorted by Agency

## PROVISO 117.38 OUTSTANDING DEBT REPORT

For Period Ending December 31, 2013

AGENCY NUMBER	AGENCY NAME	DATE ELECTRONIC COPY RECEIVED		DATE COPIES RECEIVED	REPORTED AGENCY DEBT	COLLECTION AGENCY USED	DOR SERVICES USED
		E-Mail	Diskette				
A170	LEG. DEPT. - LEG. PRINTING & INFO. TECH.	1/27/2003		1/27/2014	\$0	No	No
A200	LEG. DEPT. - LEG. AUDIT COUNCIL			1/30/2014	\$0	No	No
A850	EDUCATION OVERSIGHT COMMITTEE	2/24/2003		2/4/2014	\$0	No	No
B040	JUDICIAL DEPARTMENT	4/3/2003		2/18/2014	\$0	No	No
C050	ADMINISTRATIVE LAW JUDGES			3/19/2014	\$150	No	No
D050	GOVERNOR'S OFFICE-ECOS	1/30/2003					
D100	GOVERNOR'S OFFICE-SLED	2/21/2003		2/27/2014	\$157	No	No
D170	GOVERNOR'S OFFICE-OEPP	1/30/2003					
D200	GOVERNOR'S OFFICE-MANSIONS & GROUNDS	1/30/2003					
D250	OFFICE OF INSPECTOR GENERAL						
E040	LIEUTENANT GOVERNOR'S OFFICE	1/22/2003		3/18/2014	\$0	No	No
E080	SECRETARY OF STATE'S OFFICE (All debt reported)		4/11/2003	2/27/2014	\$13,958	No	No
E120	COMPTROLLER GENERAL'S OFFICE	4/3/2003		2/3/2014	\$0	No	No
E160	STATE TREASURER'S OFFICE			2/3/2014	\$0	No	No
E190	RETIREMENT SYSTEM INVESTMENT COMMISSION			2/10/2014	\$0	No	No
E200	ATTORNEY GENERAL'S OFFICE	4/8/2003		3/18/2014	\$0	No	No
E210	PROSECUTION COORDINATION COMMISSION						
E230	COMMISSION ON INDIGENT DEFENSE	1/22/2003		1/27/2014	\$0	No	No
E240	ADJUTANT GENERAL'S OFFICE			3/27/2014	\$0	No	No
E280	ELECTION COMMISSION	1/30/2003		2/25/2014	\$0	No	No
F030	BUDGET & CONTROL BOARD	3/6/2003					
F270	B&C BOARD - STATE AUDITOR	4/2/2003		1/30/2014	\$0	No	No
F500	PUBLIC EMPLOYEE BENEFITS AUTHORITY (PEBA)			2/5/2014	\$0	No	No
H030	HIGHER EDUCATION COMMISSION	4/8/2003		1/27/2014	\$0	No	No
H060	HIGHER EDUCATION TUITION GRANTS COMM.	4/2/2003		2/4/2014	\$0	No	No
H090	THE CITADEL			3/3/2014	\$3,911,000	Yes	Yes
H120	CLEMSON UNIVERSITY (All Debt Reported) - INCLUDES P20	2/21/2003		3/3/2014	\$14,277,700	Yes	Yes
H150	COLLEGE OF CHARLESTON	2/25/2003		2/26/2014	\$4,252,706	Yes	Yes
H170	COASTAL CAROLINA UNIVERSITY (All Debt Reported)	2/21/2003		2/27/2014	\$3,561,121	Yes	Yes
H180	FRANCIS MARION UNIVERSITY (All Debt Reported)			3/7/2014	\$4,706,210	Yes	Yes
H210	LANDER UNIVERSITY			3/7/2014	\$2,070,816	Yes	Yes
H240	SOUTH CAROLINA STATE UNIVERSITY			3/7/2014	\$5,543,026	Yes	Yes
H270	UNIVERSITY OF SOUTH CAROLINA			3/5/2014	\$10,545,099	Yes	Yes
H470	WINTHROP UNIVERSITY (All Debt Reported)	2/25/2003		2/24/2014	\$5,508,198	Yes	Yes
H510	MEDICAL UNIVERSITY OF SOUTH CAROLINA	2/21/2003		2/20/2014	\$45,325,256	Yes	No
H530	SOUTH CAROLINA AREA HEALTH EDUCATION CONSORTIUM			1/27/2014	\$0	No	No
H590	STATE BOARD FOR TECH. & COMP. ED.	2/25/2003		3/4/2014	\$0	No	No
H630	DEPARTMENT OF EDUCATION (All Debt Reported)			2/10/2014	\$577,731	No	No
H640	GOV. SCHOOL FOR ARTS & HUMANITIES (All Debt Reported)	4/11/2003		2/4/2014	\$5,354	No	Yes
H650	GOV. SCHOOL FOR SCIENCE & MATHEMATICS	4/8/2003		3/18/2014	\$0	No	No
H660	SC EDUCATION LOTTERY (All Debt Reported)			2/28/2014	\$1,473,016	Yes	Yes
H670	EDUCATIONAL TELEVISION COMMISSION	2/24/2003		2/24/2014	\$52,401	No	No
H710	WIL LOU GRAY OPPORTUNITY SCHOOL	2/11/2003		3/18/2014	\$0	No	No
H730	VOCATIONAL REHABILITATION		3/3/2003	2/21/2014	\$250,513	No	No
H750	SCHOOL FOR THE DEAF AND THE BLIND	2/26/2003		3/6/2014	\$12,175	No	No
H790	DEPT. OF ARCHIVES AND HISTORY	4/8/2003		2/19/2014	\$5,175	No	No
H870	STATE LIBRARY			2/4/2014	\$0	No	No
H910	ARTS COMMISSION	2/25/2003		1/30/2014	\$0	No	No
H950	MUSEUM COMMISSION	2/27/2003		2/4/2014	\$0	No	No
J020	DEPT. OF HEALTH & HUMAN SERVICES (All Debt Reported)			2/27/2014	\$35,107,903	No	No
J040	DEPT. OF HEALTH & ENV. CONTROL	2/24/2003		3/3/2014	\$6,389,997	No	Yes
J120	DEPT. OF MENTAL HEALTH	2/21/2003		2/28/2014	\$3,483,000	No	Yes
J160	DEPT. OF DISABILITIES & SPECIAL NEEDS	2/21/2003		3/7/2014	\$543,024	No	Yes
J200	DEPT. OF ALCOHOL & OTHER DRUG ABUSE	2/25/2003		2/20/2014	\$125	No	No
K050	DEPT. OF PUBLIC SAFETY	4/4/2003		2/20/2014	\$106	No	Yes
L040	DEPT. OF SOCIAL SERVICES (All Debt Reported)	2/26/2003		3/20/2014	\$59,322,953	No	Yes
L120	JOHN DE LA HOWE SCHOOL (All Debt Reported)	2/24/2003		3/3/2014	\$54,173	No	Yes
L240	COMMISSION FOR THE BLIND	2/20/2003		2/28/2014	\$202,054	No	Yes
L320	STATE HOUSING FINANCE & DEV. AUTHORITY (All Debt Reported)			2/28/2014	\$55,167,513	No	No
L360	COMMISSION ON HUMAN AFFAIRS			1/31/2014	\$0	No	No
L460	COMMISSION ON MINORITY AFFAIRS	4/2/2003		2/27/2014	\$0	No	No
N040	DEPT. OF CORRECTIONS (All Debt Reported)	2/21/2003		2/27/2014	\$1,604,707	No	Yes

Source: Executive Budget Office



AGENCY NUMBER	AGENCY NAME	DATE ELECTRONIC COPY RECEIVED		DATE COPIES RECEIVED	REPORTED AGENCY DEBT	COLLECTION AGENCY USED	DOR SERVICES USED
		E-Mail	Diskette				
N080	DEPT. OF PROBATION, PAROLE & PARDON SVCS. (All Debt Reported)	2/24/2003		2/10/2014	\$11,807,955	No	Yes
N120	DEPT. OF JUVENILE JUSTICE	2/25/2003		2/17/2014	\$534,865	No	Yes
N200	LAW ENFORCEMENT TRAINING COUNCIL			3/18/2014	\$900	No	No
P120	FORESTRY COMMISSION (All Debt Reported)	2/5/2003		2/24/2014	\$34,735	No	Yes
P160	DEPT. OF AGRICULTURE (All Debt Reported)	3/19/2003		2/28/2014	\$90,428	No	No
P200	CLEMSON UNIVERSITY - PSA				Included in H12		
P210	SOUTH CAROLINA STATE UNIVERSITY - PSA						
P240	DEPT. OF NATURAL RESOURCES	2/20/2003					
P260	SEA GRANT CONSORTIUM		2/3/2003	3/18/2014	\$0	No	No
P280	DEPT. OF PARKS, RECREATION & TOURISM (All Debt Reported)	3/3/2003		2/26/2014	\$7,472	Yes	No
P320	DEPT. OF COMMERCE			2/24/2014	\$0	No	No
P340	JOBS-ECONOMIC DEVELOPMENT AUTHORITY	2/25/2003		1/30/2014	\$0	No	No
P360	PATRIOTS POINT DEVELOPMENT AUTHORITY	4/2/2003		3/18/2014	\$0	No	No
P400	SC CONSERVATION BANK			2/7/2014	\$0	No	No
P450	RURAL INFRASTRUCTURE AUTHORITY			2/24/2014	\$0	No	No
R040	PUBLIC SERVICE COMMISSION	4/2/2003		2/20/2014	\$0	No	No
R060	OFFICE OF REGULATORY STAFF			3/18/2014	\$0	No	No
R080	WORKER'S COMPENSATION COMMISSION	3/4/2003		3/3/2014	\$4,190,440	No	Yes
R120	STATE ACCIDENT FUND	2/18/2003					
R140	PATIENTS' COMPENSATION FUND	4/3/2003		1/30/2014	\$0	No	No
R200	DEPT. OF INSURANCE	2/25/2003		2/27/2014	\$0	No	No
R230	BOARD OF FINANCIAL INSTITUTIONS						
R280	DEPT. OF CONSUMER AFFAIRS	4/2/2003		2/5/2014	\$0	No	No
R360	DEPT. OF LABOR, LICENSING & REGULATION	2/26/2003		2/3/2014	\$55,191	No	No
R400	DEPT. OF MOTOR VEHICLES (All Debt Reported)			2/27/2014	\$1,921,107	No	Yes
R440	DEPT. OF REVENUE (All Debt Reported)			2/28/2014	\$594,620,977	Yes	Yes
R520	ETHICS COMMISSION (All Debt Reported)		4/8/2003	2/4/2014	\$1,917,129	No	Yes
R600	DEPT. OF EMPLOYMENT & WORKFORCE (All Debt Reported)	2/11/2003		2/27/2014	\$139,006,738	No	Yes
S600	PROCUREMENT REVIEW PANEL (All Debt Reported)	3/6/2003		3/5/2014	\$0	No	No
U120	DEPT. OF TRANSPORTATION (All Debt Reported)	2/25/2003		2/28/2014	\$3,794,818	No	Yes
U150	INFRASTRUCTURE BANK BOARD	2/7/2003		2/21/2014	\$0	No	No
U300	AERONAUTICS COMMISSION			2/3/2014	\$0	No	No
Y140	PORTS AUTHORITY	1/22/2003			No State Dollars		
Y180	SANTEE COOPER	2/25/2003					
ALL AGENCY TOTAL:					\$1,021,950,073		



**Appendix A-2**  
Sorted by Amount

**PROVISO 117.38 OUTSTANDING DEBT REPORT**

**For Period Ending December 31, 2013**

AGENCY NUMBER	AGENCY NAME	DATE ELECTRONIC COPY RECEIVED		DATE COPIES RECEIVED	REPORTED AGENCY DEBT	COLLECTION AGENCY USED	DOR SERVICES USED
		E-Mail	Diskette				
R440	DEPT. OF REVENUE (All Debt Reported)			2/28/2014	\$594,620,977	Yes	Yes
R600	DEPT. OF EMPLOYMENT & WORKFORCE (All Debt Reported)	2/11/2003		2/27/2014	\$139,006,738	No	Yes
L040	DEPT. OF SOCIAL SERVICES (All Debt Reported)	2/26/2003		3/20/2014	\$59,322,953	No	Yes
L320	STATE HOUSING FINANCE & DEV. AUTHORITY (All Debt Reported)			2/28/2014	\$55,167,513	No	No
H510	MEDICAL UNIVERSITY OF SOUTH CAROLINA	2/21/2003		2/20/2014	\$45,325,256	Yes	No
J020	DEPT. OF HEALTH & HUMAN SERVICES (All Debt Reported)			2/27/2014	\$35,107,903	No	No
H120	CLEMSON UNIVERSITY (All Debt Reported) - INCLUDES P20	2/21/2003		3/3/2014	\$14,277,700	Yes	Yes
N080	DEPT. OF PROBATION, PAROLE & PARDON SVCS. (All Debt Reported)	2/24/2003		2/10/2014	\$11,807,955	No	Yes
H270	UNIVERSITY OF SOUTH CAROLINA			3/5/2014	\$10,545,099	Yes	Yes
J040	DEPT. OF HEALTH & ENV. CONTROL	2/24/2003		3/3/2014	\$6,389,997	No	Yes
H240	SOUTH CAROLINA STATE UNIVERSITY			3/7/2014	\$5,543,026	Yes	Yes
H470	WINTHROP UNIVERSITY (All Debt Reported)	2/25/2003		2/24/2014	\$5,508,198	Yes	Yes
H180	FRANCIS MARION UNIVERSITY (All Debt Reported)			3/7/2014	\$4,706,210	Yes	Yes
H150	COLLEGE OF CHARLESTON	2/25/2003		2/26/2014	\$4,252,706	Yes	Yes
R080	WORKER'S COMPENSATION COMMISSION	3/4/2003		3/3/2014	\$4,190,440	No	Yes
H090	THE CITADEL			3/3/2014	\$3,911,000	Yes	Yes
U120	DEPT. OF TRANSPORTATION (All Debt Reported)	2/25/2003		2/28/2014	\$3,794,818	No	Yes
H170	COASTAL CAROLINA UNIVERSITY (All Debt Reported)	2/21/2003		2/27/2014	\$3,561,121	Yes	Yes
J120	DEPT. OF MENTAL HEALTH	2/21/2003		2/28/2014	\$3,483,000	No	Yes
H210	LANDER UNIVERSITY			3/7/2014	\$2,070,816	Yes	Yes
R400	DEPT. OF MOTOR VEHICLES (All Debt Reported)			2/27/2014	\$1,921,107	No	Yes
R520	ETHICS COMMISSION (All Debt Reported)		4/8/2003	2/4/2014	\$1,917,129	No	Yes
N040	DEPT. OF CORRECTIONS (All Debt Reported)	2/21/2003		2/27/2014	\$1,604,707	No	Yes
H660	SC EDUCATION LOTTERY (All Debt Reported)			2/28/2014	\$1,473,016	Yes	Yes
H630	DEPARTMENT OF EDUCATION (All Debt Reported)			2/10/2014	\$577,731	No	No
J160	DEPT. OF DISABILITIES & SPECIAL NEEDS	2/21/2003		3/7/2014	\$543,024	No	Yes
N120	DEPT. OF JUVENILE JUSTICE	2/25/2003		2/17/2014	\$534,865	No	Yes
H730	VOCATIONAL REHABILITATION		3/3/2003	2/21/2014	\$250,513	No	No
L240	COMMISSION FOR THE BLIND	2/20/2003		2/28/2014	\$202,054	No	Yes
P160	DEPT. OF AGRICULTURE (All Debt Reported)	3/19/2003		2/28/2014	\$90,428	No	No
R360	DEPT. OF LABOR, LICENSING & REGULATION	2/26/2003		2/3/2014	\$55,191	No	No
L120	JOHN DE LA HOWE SCHOOL (All Debt Reported)	2/24/2003		3/3/2014	\$54,173	No	Yes
H670	EDUCATIONAL TELEVISION COMMISSION	2/24/2003		2/24/2014	\$52,401	No	No
P120	FORESTRY COMMISSION (All Debt Reported)	2/5/2003		2/24/2014	\$34,735	No	Yes
E080	SECRETARY OF STATE'S OFFICE (All debt reported)		4/11/2003	2/27/2014	\$13,958	No	No
H750	SCHOOL FOR THE DEAF AND THE BLIND	2/26/2003		3/6/2014	\$12,175	No	No
P280	DEPT. OF PARKS, RECREATION & TOURISM (All Debt Reported)	3/3/2003		2/26/2014	\$7,472	Yes	No
H640	GOV. SCHOOL FOR ARTS & HUMANITIES (All Debt Reported)	4/11/2003		2/4/2014	\$5,354	No	Yes
H790	DEPT. OF ARCHIVES AND HISTORY	4/8/2003		2/19/2014	\$5,175	No	No
N200	LAW ENFORCEMENT TRAINING COUNCIL			3/18/2014	\$900	No	No
D100	GOVERNOR'S OFFICE-SLED	2/21/2003		2/27/2014	\$157	No	No
C050	ADMINISTRATIVE LAW JUDGES			3/19/2014	\$150	No	No
J200	DEPT. OF ALCOHOL & OTHER DRUG ABUSE	2/25/2003		2/20/2014	\$125	No	No
K050	DEPT. OF PUBLIC SAFETY	4/4/2003		2/20/2014	\$106	No	Yes
A170	LEG. DEPT. - LEG. PRINTING & INFO. TECH.	1/27/2003		1/27/2014	\$0	No	No
A200	LEG. DEPT. - LEG. AUDIT COUNCIL			1/30/2014	\$0	No	No
A850	EDUCATION OVERSIGHT COMMITTEE	2/24/2003		2/4/2014	\$0	No	No
B040	JUDICIAL DEPARTMENT	4/3/2003		2/18/2014	\$0	No	No
E040	LIEUTENANT GOVERNOR'S OFFICE	1/22/2003		3/18/2014	\$0	No	No
E120	COMPTROLLER GENERAL'S OFFICE	4/3/2003		2/3/2014	\$0	No	No
E160	STATE TREASURER'S OFFICE			2/3/2014	\$0	No	No
E190	RETIREMENT SYSTEM INVESTMENT COMMISSION			2/10/2014	\$0	No	No
E200	ATTORNEY GENERAL'S OFFICE	4/8/2003		3/18/2014	\$0	No	No
E230	COMMISSION ON INDIGENT DEFENSE	1/22/2003		1/27/2014	\$0	No	No
E240	ADJUTANT GENERAL'S OFFICE			3/27/2014	\$0	No	No
E280	ELECTION COMMISSION	1/30/2003		2/25/2014	\$0	No	No
F270	B&C BOARD - STATE AUDITOR	4/2/2003		1/30/2014	\$0	No	No
F500	PUBLIC EMPLOYEE BENEFITS AUTHORITY (PEBA)			2/5/2014	\$0	No	No
H030	HIGHER EDUCATION COMMISSION	4/8/2003		1/27/2014	\$0	No	No
H060	HIGHER EDUCATION TUITION GRANTS COMM.	4/2/2003		2/4/2014	\$0	No	No

Source: Executive Budget Office



AGENCY NUMBER	AGENCY NAME	DATE ELECTRONIC COPY RECEIVED		DATE COPIES RECEIVED	REPORTED AGENCY DEBT	COLLECTION AGENCY USED	DOR SERVICES USED
		E-Mail	Diskette				
H530	SOUTH CAROLINA AREA HEALTH EDUCATION CONSORTIUM			1/27/2014	\$0	No	No
H590	STATE BOARD FOR TECH. & COMP. ED.	2/25/2003		3/4/2014	\$0	No	No
H650	GOV. SCHOOL FOR SCIENCE & MATHEMATICS	4/8/2003		3/18/2014	\$0	No	No
H710	WIL LOU GRAY OPPORTUNITY SCHOOL	2/11/2003		3/18/2014	\$0	No	No
H870	STATE LIBRARY			2/4/2014	\$0	No	No
H910	ARTS COMMISSION	2/25/2003		1/30/2014	\$0	No	No
H950	MUSEUM COMMISSION	2/27/2003		2/4/2014	\$0	No	No
L360	COMMISSION ON HUMAN AFFAIRS			1/31/2014	\$0	No	No
L460	COMMISSION ON MINORITY AFFAIRS	4/2/2003		2/27/2014	\$0	No	No
P260	SEA GRANT CONSORTIUM		2/3/2003	3/18/2014	\$0	No	No
P320	DEPT. OF COMMERCE			2/24/2014	\$0	No	No
P340	JOBS-ECONOMIC DEVELOPMENT AUTHORITY	2/25/2003		1/30/2014	\$0	No	No
P360	PATRIOTS POINT DEVELOPMENT AUTHORITY	4/2/2003		3/18/2014	\$0	No	No
P400	SC CONSERVATION BANK			2/7/2014	\$0	No	No
P450	RURAL INFRASTRUCTURE AUTHORITY			2/24/2014	\$0	No	No
R040	PUBLIC SERVICE COMMISSION	4/2/2003		2/20/2014	\$0	No	No
R060	OFFICE OF REGULATORY STAFF			3/18/2014	\$0	No	No
R140	PATIENTS' COMPENSATION FUND	4/3/2003		1/30/2014	\$0	No	No
R200	DEPT. OF INSURANCE	2/25/2003		2/27/2014	\$0	No	No
R280	DEPT. OF CONSUMER AFFAIRS	4/2/2003		2/5/2014	\$0	No	No
S600	PROCUREMENT REVIEW PANEL (All Debt Reported)	3/6/2003		3/5/2014	\$0	No	No
U150	INFRASTRUCTURE BANK BOARD	2/7/2003		2/21/2014	\$0	No	No
U300	AERONAUTICS COMMISSION			2/3/2014	\$0	No	No
D050	GOVERNOR'S OFFICE-ECOS	1/30/2003					
D170	GOVERNOR'S OFFICE-OEPP	1/30/2003					
D200	GOVERNOR'S OFFICE-MANSIONS & GROUNDS	1/30/2003					
D250	OFFICE OF INSPECTOR GENERAL						
E210	PROSECUTION COORDINATION COMMISSION						
F030	BUDGET & CONTROL BOARD	3/6/2003					
P200	CLEMSON UNIVERSITY - PSA-Included in H12						
P210	SOUTH CAROLINA STATE UNIVERSITY - PSA						
P240	DEPT. OF NATURAL RESOURCES	2/20/2003					
R120	STATE ACCIDENT FUND	2/18/2003					
R230	BOARD OF FINANCIAL INSTITUTIONS						
Y140	PORTS AUTHORITY-No State Dollars	1/22/2003					
Y180	SANTEE COOPER	2/25/2003					
ALL AGENCY TOTAL:					\$1,021,950,073		

## Appendix A-3

### PROVISO 117.38 OUTSTANDING DEBT REPORT

For Period Ending December 31, 2013

AGENCY NUMBER	AGENCY NAME	DATE ELECTRONIC COPY RECEIVED		DATE COPIES RECEIVED	REPORTED AGENCY DEBT	COLLECTION AGENCY USED	DOR SERVICES USED
		E-Mail	Diskette				

Technical Schools not originally in SBO reports

7000026025	Aiken Technical College	Yes	No		\$521,369		Yes
7000025594	Central Carolina Technical College	Yes	No		\$1,948,421	Yes	Yes
7000026090	Denmark Technical College	Yes	No		\$446,633		Yes
7000025582	Florence-Darlington Technical College	Yes	No		\$4,507,780	Yes	Yes
7000144294	Greenville Technical College	Yes	No		\$5,675,222	No	Yes
7000129761	Horry-Georgetown Technical College	Yes	No		\$2,194,864	Yes	Yes
7000025607	Midlands Technical College	Yes	No		\$4,671,980	No	Yes
7000025865	Northeastern Technical College	Yes	No		\$1,686,188	No	Yes
7000025789	Orangeburg-Calhoun Technical College	Yes	No		\$1,497,241	Yes	Yes
7000025738	Piedmont Technical College	Yes	No		\$8,269,592		
7000025615	Spartanburg Community College	Yes	No		\$11,024,332	Yes	Yes
7000027799	Technical College of the Lowcountry	Yes	No		\$1,359,283	Yes	Yes
7000025608	Tri-County Technical College	Yes	No		\$1,277,649	Yes	Yes
7000025620	Trident Technical College	Yes	No		\$9,979,000	Yes	Yes
7000025965	Williamsburg Technical College	Yes	No		\$557,248	No	Yes
7000030266	York Technical College	Yes	No		\$2,371,370	Yes	Yes

Total Outstanding Debt for Technical Schools

**\$57,988,171**



## Appendix B

### PROVISO 89.40 OUTSTANDING DEBT REPORT

For Period Ending December 31, 2012

AGENCY NUMBER	AGENCY NAME	DATE COPIES RECEIVED	REPORTED AGENCY DEBT	COLLECTION AGENCY USED	DOR SERVICES USED
A01	LEG. DEPT. - SENATE				
A05	LEG. DEPT. - HOUSE OF REPRESENTATIVES				
A15	LEG. DEPT. - CODIFICATION OF LAWS				
A17	LEG. DEPT. - LEG. PRINTING & INFO. TECH.				
A20	LEG. DEPT. - LEG. AUDIT COUNCIL	2/4/2013	\$0	No	No
A85	EDUCATION OVERSIGHT COMMITTEE	2/1/2013	\$0	No	No
B04	JUDICIAL DEPARTMENT				
C05	ADMINISTRATIVE LAW JUDGES	4/5/2013	\$0	No	No
D05	GOVERNOR'S OFFICE-ECOS	1/31/2013	\$0	No	No
D10	GOVERNOR'S OFFICE-SLED				
D17	GOVERNOR'S OFFICE-OEPP (All debt reported)	1/31/2013	\$0	No	No
D20	GOVERNOR'S OFFICE-MANSIONS & GROUNDS	1/31/2013	\$0	No	No
D25	OFFICE OF INSPECTOR GENERAL	1/31/2013	\$0	No	No
E04	LIEUTENANT GOVERNOR'S OFFICE	1/31/2013	\$0	No	No
E08	SECRETARY OF STATE'S OFFICE (All debt reported)	3/5/2013	\$17,013	No	No
E12	COMPTROLLER GENERAL'S OFFICE	2/8/2013	\$0	No	No
E16	STATE TREASURER'S OFFICE	1/31/2013	\$0	No	No
E19	RETIREMENT SYSTEM INVESTMENT COMMISSION	2/14/2013	\$0	No	No
E20	ATTORNEY GENERAL'S OFFICE				
E21	PROSECUTION COORDINATION COMMISSION	2/5/2013	\$0	No	No
E23	COMMISSION ON INDIGENT DEFENSE	2/1/2013	\$0	No	No
E24	ADJUTANT GENERAL'S OFFICE	2/14/2013	\$0	No	No
E28	ELECTION COMMISSION	2/14/2013	\$0	No	No
F03	BUDGET & CONTROL BOARD	3/3/2013	\$182,329	No	Yes
F27	B&C BOARD - STATE AUDITOR	2/1/2013	\$0	No	No
H03	HIGHER EDUCATION COMMISSION	2/4/2013	\$0	No	No
H06	HIGHER EDUCATION TUITION GRANTS COMM.	1/31/2013	\$0	No	No
H09	THE CITADEL	3/3/2013	\$4,504,000	Yes	Yes
H12	CLEMSON UNIVERSITY (All Debt Reported) - INCLUDES P20	3/7/2013	\$13,357,289	Yes	Yes
H15	COLLEGE OF CHARLESTON	2/25/2013	\$3,705,526	Yes	Yes
H17	COASTAL CAROLINA UNIVERSITY (All Debt Reported)	2/27/2013	\$2,466,771	Yes	Yes
H18	FRANCIS MARION UNIVERSITY (All Debt Reported)	3/3/2013	\$4,872,532	Yes	Yes
H21	LANDER UNIVERSITY	2/27/2013	\$2,068,234	Yes	Yes
H24	SOUTH CAROLINA STATE UNIVERSITY	3/4/2013	\$12,965,848	Yes	Yes
H27	UNIVERSITY OF SOUTH CAROLINA	2/27/2013	\$11,858,713	Yes	Yes
H47	WINTHROP UNIVERSITY (All Debt Reported)	2/27/2013	\$4,632,876	Yes	Yes
H51	MEDICAL UNIVERSITY OF SOUTH CAROLINA	2/21/2013	\$46,771,660	Yes	No
H53	MUSC-CONSORTIUM OF TEACHING HOSPITALS	2/5/2013	\$0	No	No
H59	STATE BOARD FOR TECH. & COMP. ED.	2/26/2013	\$0	No	No
H63	DEPARTMENT OF EDUCATION (All Debt Reported)	2/27/2013	\$459,931	No	No
H63	FIRST STEPS				
H64	GOV. SCHOOL FOR ARTS & HUMANITIES (All Debt Reported)	2/7/2013	\$2,910	No	Yes
H65	GOV. SCHOOL FOR SCIENCE & MATHEMATICS	2/7/2013	\$0	No	No
H66	SC EDUCATION LOTTERY (All Debt Reported)	2/2/2013	\$1,485,574	Yes	Yes
H67	EDUCATIONAL TELEVISION COMMISSION	2/25/2013	\$10,304	No	No
H71	WIL LOU GRAY OPPORTUNITY SCHOOL				
H73	VOCATIONAL REHABILITATION	2/27/2013	\$1,999,861	No	No
H75	SCHOOL FOR THE DEAF AND THE BLIND	2/27/2013	\$4,570	No	No
H79	DEPT. OF ARCHIVES AND HISTORY	2/28/2013	\$2,103	No	No
H87	STATE LIBRARY	2/11/2013	\$0	No	No
H91	ARTS COMMISSION	4/3/2013	\$0	No	No

Source: Executive Budget Office



AGENCY NUMBER	AGENCY NAME	DATE COPIES RECEIVED	REPORTED AGENCY DEBT	COLLECTION AGENCY USED	DOR SERVICES USED
H95	MUSEUM COMMISSION	2/6/2013	\$0	No	No
J02	DEPT. OF HEALTH & HUMAN SERVICES (All Debt Reported)	2/5/2013	\$35,845,832	No	No
J04	DEPT. OF HEALTH & ENV. CONTROL	3/1/2013	\$7,206,037	No	Yes
J12	DEPT. OF MENTAL HEALTH	3/1/2013	\$2,609,000	No	Yes
J16	DEPT. OF DISABILITIES & SPECIAL NEEDS	2/25/2013	\$568,263	No	No
J20	DEPT. OF ALCOHOL & OTHER DRUG ABUSE	2/14/2013	\$125	No	No
K05	DEPT. OF PUBLIC SAFETY	3/1/2013	\$1,767	No	Yes
L04	DEPT. OF SOCIAL SERVICES (All Debt Reported)	2/21/2013	\$52,335,593	No	Yes
L12	JOHN DE LA HOWE SCHOOL (All Debt Reported)	3/7/2013	\$65,578	No	Yes
L24	COMMISSION FOR THE BLIND	3/1/2013	\$224,231	No	Yes
L32	STATE HOUSING FINANCE & DEV. AUTHORITY (All Debt Reported)	3/7/2013	\$68,597,709	No	No
L36	COMMISSION ON HUMAN AFFAIRS	2/1/2013	\$0	No	No
L46	COMMISSION ON MINORITY AFFAIRS	4/3/2013	\$0	No	No
N04	DEPT. OF CORRECTIONS (All Debt Reported)	2/21/2013	\$1,552,400	No	Yes
N08	DEPT. OF PROBATION, PAROLE & PARDON SVCS.	2/2/2013	\$9,904,606	No	Yes
N12	DEPT. OF JUVENILE JUSTICE	2/7/2013	\$395,568	No	Yes
N20	LAW ENFORCEMENT TRAINING COUNCIL	2/27/2013	\$900	No	No
P12	FORESTRY COMMISSION (All Debt Reported)	2/11/2013	\$35,036	No	Yes
P16	DEPT. OF AGRICULTURE	3/1/2013	\$63,189	No	No
P20	CLEMSON UNIVERSITY - PSA	Included in H12			
P21	SOUTH CAROLINA STATE UNIVERSITY - PSA	3/7/2013	\$0	No	No
P24	DEPT. OF NATURAL RESOURCES	2/28/2013	\$2,030	No	No
P26	SEA GRANT CONSORTIUM	2/13/2013	\$0	No	No
P28	DEPT. OF PARKS, RECREATION & TOURISM (All Debt Reported)	2/26/2013	\$14,664	No	No
P32	DEPT. OF COMMERCE	2/13/2013	\$0	No	No
P34	JOBS-ECONOMIC DEVELOPMENT AUTHORITY	2/1/2013	\$0	No	No
P36	PATRIOTS POINT DEVELOPMENT AUTHORITY	2/25/2013	\$0	No	No
P40	SC CONSERVATION BANK	2/7/2013	\$0	No	No
P45	RURAL INFRASTRUCTURE AUTHORITY	2/13/2013	\$0	No	No
R04	PUBLIC SERVICE COMMISSION	2/28/2013	\$0	No	No
R06	OFFICE OF REGULATORY STAFF				
R08	WORKER'S COMPENSATION COMMISSION	3/1/2013	\$4,520,264	No	Yes
R12	STATE ACCIDENT FUND	2/22/2013	\$0	No	No
R14	PATIENTS' COMPENSATION FUND	2/1/2013	\$0	No	No
R16	SECOND INJURY FUND	2/27/2013	\$14,347,577	No	Yes
R20	DEPT. OF INSURANCE (All Debt Reported)	3/1/2013	\$0	No	No
R23	BOARD OF FINANCIAL INSTITUTIONS				
R28	DEPT. OF CONSUMER AFFAIRS	2/8/2013	\$0	No	No
R36	DEPT. OF LABOR, LICENSING & REGULATION	2/5/2013	\$37,844	No	No
R40	DEPT. OF MOTOR VEHICLES (All Debt Reported)	3/3/2013	\$1,626,863	No	Yes
R44	DEPT. OF REVENUE (All Debt Reported)	2/25/2013	\$131,594,879	Yes	Yes
R52	ETHICS COMMISSION (All Debt Reported)	2/21/2013	\$1,986,725	No	Yes
R60	DEPT. OF EMPLOYMENT & WORKFORCE (All Debt Reported)	3/1/2013	\$139,901,449	No	Yes
S60	PROCUREMENT REVIEW PANEL (All Debt Reported)	4/3/2013	\$0	No	No
U12	DEPT. OF TRANSPORTATION (All Debt Reported)	2/27/2013	\$783,290	No	Yes
U15	INFRASTRUCTURE BANK BOARD	2/7/2013	\$0	No	No
U30	AERONAUTICS COMMISSION	2/26/2013	\$0	No	No
Y14	PORTS AUTHORITY	No State Dollars			
Y18	SANTEE COOPER				
<b>ALL AGENCY TOTAL:</b>			<b>\$585,589,463</b>		



# SOUTH CAROLINA DEPARTMENT OF REVENUE

## 2015 Setoff Debt Program Application





# SOUTH CAROLINA DEPARTMENT OF REVENUE

## 2014 Setoff Debt Program Application

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State of South Carolina  
**Department of Revenue**  
300A Outlet Pointe Boulevard, P.O. Box 125, Columbia, South Carolina 29214

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July 20, 2014

Dear Debt Setoff Coordinator:

The Department of Revenue (Department) is excited about partnering with you again in the collection of debts owed to South Carolina governmental entities. Thank you for allowing us to provide collection services to you through our Income Tax Setoff Debt Collection Program in 2014.

An application for participation in the calendar year 2015 Setoff Debt Collection Program is enclosed. Please read the information and instructions thoroughly before completing the application. The information will assist you in completing the application as well as answer many questions you may have. As always please take special note of the appeal requirements.

If you are unaware, we would like to take the time to inform you of our Governmental Enterprise Accounts Receivable (GEAR) Collections Program. GEAR (section 12-4-580 of the South Carolina Code of Laws) authorizes the Department to contract with any other governmental entity to collect outstanding liabilities owed. Participation in GEAR not only places the debt in the Setoff Debt Collection program but carries the collection process to a higher level than the yearly income tax refund seizure. GEAR uses an extensive letter campaign followed by wage garnishments, payment agreements and payment levies.

We also remind you of Part IB Proviso, Section 117.38, of the General Appropriations Act for FY2013-2014. The Proviso provides that the Department of Revenue and all other state agencies must report to the Senate Finance, House of Representatives Ways and Means Committees and Inspector General, the amount of outstanding debt and all methods used to collect the debt. The report is due the last day of February.

Please provide us the opportunity to answer any questions you may have concerning the programs outlined. For additional setoff debt information you may contact our Setoff Debt Coordinators, Loretta Patterson at (803) 898-5627, email [patterl@sctax.org](mailto:patterl@sctax.org) or Kalesha Campbell at (803)898-5755, email [campbek@sctax.org](mailto:campbek@sctax.org). For additional GEAR information contact our GEAR Coordinators Doris Mosley at (803) 898-5694, email [mosleyd@sctax.org](mailto:mosleyd@sctax.org) or Sheri Dunbar at (803) 898-5376, email [dunbars@sctax.org](mailto:dunbars@sctax.org).

Sincerely,

SOUTH CAROLINA DEPARTMENT OF REVENUE  
COLLECTION SERVICES

Enclosures

## **Setoff Debt Collection Program Dates to Note**

<b>July 1- July 31</b>	<b>Department of Revenue (DOR) will mail application packet.</b>
<b>August 31</b>	Application for Participation is <b>due on or before</b> to SCDOR.
<b>Sept 1 – Sept 30</b>	SCDOR will notify agency that application has been received and requested record layout format and instructions will be mailed.
<b>December 1</b>	CD/Diskettes and Files Transfer are due to SCDOR for Debt Setoff.

**NOTE:** Notice Letter to Debtor and Due Process must be given to debtor no less than thirty (30) days prior to submitting name and social security number to SCDOR for Debt Setoff.



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State of South Carolina  
**Department of Revenue**  
300A Outlet Pointe Boulevard., P.O. Box 125, Columbia, SC 29214

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**PLEASE READ INFORMATION THOUROUGHLY**

GENERAL INFORMATION

**I. Application for Participation**

- A. Before a request for setoff may be made, **the claimant agency must notify the debtor of its intention to cause the debtor's refund to be setoff** no less than thirty (30) days before the request is submitted to the department. This notice must be given by mailing the notice, with postage prepaid, addressed to the debtor at the address provided to the claimant agency when the debt was incurred or at the debtor's last known address. The notice must include a statement of appeal procedures available to the debtor, substantially as follows:

**'According to our records, you owe (the claimant agency) a debt in the amount of (amount of debt), plus interest if applicable, for (type of debt). You are hereby notified of (the claimant agency's) intention to submit and/or resubmit this debt to the South Carolina Department of Revenue through the Setoff Debt Collection Act and/or the Governmental Enterprise Accounts Receivable Collections Program (GEAR) until the debt is paid in full.**

The Setoff Debt Collection Act allows the Department of Revenue to deduct, from any refund, this amount plus all costs, including a \$25 administrative fee. If you file a joint return with your spouse, this amount will be deducted from the total joint refund without regard to which spouse incurred the debt or actually withheld the taxes.

The GEAR Program, SC Code Section 12-4-580, authorizes the Department of Revenue to utilize all rights and powers of collection allowed under Title 12 in collection of the above debt. These powers include garnishment of any wages, seizure of bank accounts, sales of real or personal property, and the revocation of any license.

The Department of Revenue will utilize the powers granted under Title 12 of the SC Code unless you file a written protest, within thirty (30) days from the date of this notice, with the information contained below:

1. your name;
2. your address;
3. your social security number;
4. the type of debt in dispute; and
5. a detailed statement of all reasons you disagree with the debt amount or dispute that you owe the debt

The original written protest must be mailed to the (claimant agency) at the following address:  
(address of entity requesting the setoff)'

- B. On or before August 31 of each year, claimant agencies must furnish to the department an application with the information listed below. This application is effective only to initiate setoff against refunds in the subsequent calendar year.
- a) The name, address, and telephone number of the individual or section to whom the department should direct inquiries, if further information is required.
  - b) An estimate of the number and dollar amount of accounts to be forwarded for possible setoff.
  - c) A letter of authorization from the claimant agency head which includes the name, title and sample signature of the person(s) authorized to make requests for service.
  - d) The name, address, and telephone number of the assigned hearing officer for protests, if necessary.
- C. CD Rom or diskettes are the transmitting mediums. Formats for the selected medium will be mailed by September 30 along with confirmation of your application.
- D. Priority in multiple claims to refunds allowed to be setoff must be in the order in time which a claimant agency has filed an application of participation with the department. However, claims filed by any agency of state government have priority over claims filed by the Internal Revenue Service or an institution of higher learning. Notwithstanding this priority according to time of filing, the department has priority over all other claimant agencies for collection by setoff whenever it is a competing agency for a refund.

## **II. Certification of Debt File**

- A. Before **December 1**, claimant agencies must forward a CD Rom or diskette of their debt files along with a **statement certifying them for collection**. Such statement should be signed by the claimant agency head or the person(s) authorized to make requests for service and contain language similar to the following:

**I hereby certify that this organization has complied with the requirements of South Carolina Code 12-56-60 and that the information contained in the accompanying tape(s) is, to the best of my knowledge and belief, true, correct, and complete.**

### **THIS STATEMENT MUST ACCOMPANY THE INITIAL SUBMISSION**

Pursuant to 12-56-60, the information certifying the debt files for collection must be received before **December 1** in order to offset refunds to be made in the subsequent year.



CD Rom and diskettes should be mailed or delivered to:

**Loretta T. Patterson or Kalesha Campbell, Setoff Debt Coordinator**  
**South Carolina Department of Revenue**  
**Post Office Box 125**  
**Columbia, South Carolina 29214**

B. Claimant agencies must submit to the department a list of claims which includes:

- a) Debtor's name
- b) Social Security number
- c) Agency number (code)
- d) Agency I.D. number (fund)
- e) Debt amount
- f) Date of default

C. It is extremely important that the above information is transmitted accurately. It shall be the responsibility of the claimant agency to insure the accuracy of claims submitted. No claims will be processed unless submitted in required form.

D. The certification of the list of claims is effective only against refunds issued in the subsequent calendar year.

### **III. Submission of Deletions of Accounts and Reductions in Debt Amount**

The certified list of claims must be received by the department by **December 1** of each calendar year. Changes such as deletions of accounts and reductions in debt amount may be made after December 1. The amount of setoff requested cannot be increased and accounts cannot be added after December 1. Corrections can be made only by returning information on selected medium.

### **IV. Refund Match to Claimant's Claim**

Upon receiving the certification of the claimant agency, the department shall determine if the debtor is due a refund in excess of \$25. If a refund in excess of \$25 is due, the department shall setoff the delinquent debt against the amount of the refund. The department may retain up to \$25 to defray its administrative expense.

The department is not required to apportion refunds resulting from filing of joint returns. The certified delinquent debt and debtor list provided by the claimant agency shall be presumed correct by the department.

### **V. Transmittal of Funds and Accounting of Setoff to Claimant Agency**

At the time of transmittal of the funds to the claimant agency, the department shall provide the agency an accounting of the funds. This will include the full name of the debtor, the debtor's Social Security number, and the amount of the setoff.

## **VI. Review by Claimant Agency**

A debtor who protests the debt shall file a written protest with the claimant agency at the address provided in the claimant agency's notification of intention to setoff. The protest must be filed within thirty days of the date of the notice of intention to setoff and must contain the debtor's name, address, and social security number, identify the type of debt in dispute, and give a detailed statement of all the reasons which support the protest. The requirements of this section are jurisdictional.

Before submitting a debt to the department, the claimant agency shall appoint a hearing officer to hear a protest of a debtor. This hearing officer is vested with the authority to decide a protest in favor of either the debtor or the claimant agency. The claimant agency shall certify to the department, on a form prescribed by the department, that a hearing officer has been appointed and shall inform the department of the name, address, and telephone number of the hearing officer. If this hearing officer is unable to serve at any time, the claimant agency shall appoint another hearing officer. **This information will be submitted on the Setoff Debt Application.**

Upon receipt of a notice of protest, the claimant agency shall notify the department that a protest has been received and shall hold an informal hearing at which time the debtor may present evidence, documents, and testimony to dispute the debt. The claimant agency shall notify the debtor of the date, time, and location of the informal hearing. At the conclusion of the informal hearing, the hearing officer shall render his determination. Upon receipt of a sworn certification from the hearing officer that he held an informal hearing and ruled in favor of the claimant agency, the department may proceed with the setoff, regardless of a subsequent appeal by the debtor. The department must be notified by the claimant agency hearing officer of a protest at the following address:

**SC Department of Revenue  
Attn: Loretta T. Patterson or Kalesha Campbell  
Protest – Debt Setoff Collection Act  
PO Box 125  
Columbia, SC 29214**

If a setoff is made and the determination of the hearing officer in favor of the claimant agency is later reversed, the claimant agency shall refund the appropriate amount to the taxpayer. If the claimant agency is found to be entitled to no part of the amount setoff, it shall refund the entire amount plus the administrative fee retained by the department. That portion of the refund reflecting the administrative fee must be paid from claimant agency funds. If the claimant agency is found to be entitled to a portion of the amount setoff, it is not required to refund the administrative fee retained by the department.



**VII. Indemnification of South Carolina Department of Revenue**

South Carolina Code 12-56-100 states that the claimant agencies will indemnify the department. By participating in this program, the claimant agencies acknowledge that they will indemnify the department against any injuries, actions, liabilities, or proceedings arising from performance under the debt offset provisions. A statement to this effect will be included on the application for participating in Setoff Debt Collection Program.

**VIII. Portions of Chapters 111, 113, and 115 of Title 59 (of the South Carolina Code) are listed:**

- I. Chapter 111, Title 59
  - 59-111-10 Scholarship Winners of Essay Contests
  - 59-111-20 Free Tuition for Certain Veteran's Children
  - 59-111-30 South Carolina Defense Scholarship Fund
  - 59-111-110 Free Tuition for Certain Public Employee's Children
  - 59-111-320 Free Tuition for Those Sixty or Older
  - 59-111-510 Medical and Dental Scholarship Fund
- II. Chapter 113, Title 59
  - 59-113-10 through 59-113-50 Establishes Higher Education Tuition Grants, a Committee and Guidelines for Administration of the Grants.
- III. Chapter 115, Title 59
  - 59-115-10 through 59-115-180 Establishes the State Education Assistance Act, the Authority, the Loan Fund, and Guidelines for the Administration of the Act.

It must be noted that parts of Chapter 111 and all of Chapter 113 pertain to scholarships and grants rather than loans. With regard to scholarships and grants, it is foreseeable that in certain instances the recipients might be required to pay back a portion or all of such scholarships or grants. This, for example, is very likely with the medical and dental scholarship funds.

**IX. A copy of the Setoff Debt Collection Act is enclosed.**

If you have any questions regarding debt match processing or procedures, please contact Loretta Patterson at (803) 898-5627/email [patterl@sctax.org](mailto:patterl@sctax.org) or Kalesha Campbell at (803) 898-5755/email [campbek@sctax.org](mailto:campbek@sctax.org)

## CHAPTER 56.

### SETOFF DEBT COLLECTION ACT

#### SECTION 12-56-10. Short title.

This chapter may be cited as the "Setoff Debt Collection Act".

HISTORY: 1995 Act No. 76, Section 5.

#### SECTION 12-56-20. Definitions.

As used in this chapter:

- (1) "Claimant agency" means a state agency, board, committee, commission, public institution of higher learning, political subdivision, or other governmental or quasi-governmental entity of any state or the United States. It includes the South Carolina Student Loan Corporation, housing authorities established pursuant to Articles 5, 7, and 9 of Chapter 3 of Title 31 and the Internal Revenue Service, and the United States Department of Education. It also includes a private institution of higher learning for the purpose of collecting debts related to default on authorized educational loans made pursuant to Chapter 111, 113, or 115 of Title 59. "Political subdivision" includes the Municipal Association of South Carolina and the South Carolina Association of Counties when these organizations submit claims on behalf of a county or local governmental or quasi-governmental entity. A political subdivision who submits a claim through an association is a claimant agency for the purpose of the notice and appeal provisions and other requirements of this chapter.
- (2) "Department" means the South Carolina Department of Revenue.
- (3) "Debtor" means a person having a delinquent debt or account with a claimant agency which has not been adjusted, satisfied, or set aside by court order, or discharged in bankruptcy.
- (4) "Delinquent debt" means a sum due and owing a claimant agency, including collection costs, court costs, fines, penalties, and interest which have accrued through contract, subrogation, tort, operation of law, or other legal theory regardless of whether there is an outstanding judgment for that sum which is legally collectible and for which a collection effort has been or is being made. It does not include sums owed to county hospitals when the hospital and the debtor have entered into a written payment agreement and the debtor is current in meeting the obligations of the agreement. "Delinquent debt" also includes any fine, penalty, cost, fee, assessment, surcharge, service charge, restitution, or other amount imposed by a court or as a direct consequence of a final court order which is received by or payable to the clerk of the appropriate court or treasurer of the entity where the court is located.
- (5) "Refund" means any individual or corporate South Carolina income tax refund payable. This term also includes a refund belonging to a debtor resulting from the filing of a joint income tax return.

HISTORY: 1995 Act No. 76, Section 5; 1996 Act No. 347, Section 1; 1996 Act No. 395, Section 1; 1998 Act No. 419, Part II, Section 55A; 1999 Act No. 114; 1999 Act No. 114, Section 4Q; 1999 Act No. 114, Section 4R; 2001 Act No. 89, Section 60A, eff July 20, 2001; 2002 Act No. 334, Section 9, eff June 24, 2002; 2003 Act No. 69, Section 3.KK.2, eff June 18, 2003.



**SECTION 12-56-30.** Collection of debt; information to be given by claimant agency; information to be given by department to claimant agency.

- (A) The collection remedy under this chapter is in addition to any other remedy available by law.
- (B) Claimant agencies may submit for collection under the procedure established by this chapter all delinquent debts which they are owed.
- (C) All claimant agencies, whenever possible, shall obtain the full name, social security number, address, and any other identifying information, required by regulations promulgated by the department for implementation of this chapter, from any person for whom the agencies provide any service or transact any business and who the claimant agencies can foresee may become a debtor under the terms of this chapter.
- (D) Upon request from a claimant agency, the department shall furnish the claimant agency the home address, corrected Social Security number or additional Social Security number of any taxpayer whose name has been submitted to the department for collection of a delinquent debt.

HISTORY: 1995 Act No. 76, Section 5.

**SECTION 12-56-40.** Choice of claimant agency as to use of or participation in setoff program.

If the claimant agency determines that the administrative cost of utilizing this chapter is prohibitive, it may choose not to participate in the setoff program, or it may choose to participate only in cases of delinquent debts above an amount it determines appropriate.

HISTORY: 1995 Act No. 76, Section 5.

**SECTION 12-56-50.** Department to assist in collection of account or debt by setoff of any refunds due to debtor.

Subject to the limitations contained in this chapter, the department, upon request, shall render assistance in the collection of any delinquent account or debt owing to any claimant agency by setting off any refunds due the debtor from the department by the sum certified by the claimant agency as delinquent debt.

HISTORY: 1995 Act No. 76, Section 5.

**SECTION 12-56-60.** Notification by claimant agency; refund determinations; department liability.

- (A) A claimant agency seeking to attempt collection of a delinquent debt through setoff shall notify the department in writing and supply information the department determines necessary to identify the debtor whose refund is sought to be set off. A request for setoff may be made only after the claimant agency has notified the debtor of its intention to cause the debtor's refund to be set off not less than thirty days before the claimant agency's request to the department. The claimant agency promptly shall notify the debtor when the liability out of which the setoff arises is satisfied. The claimant agency promptly shall notify the department of a reduction in the delinquent debt.

(B) Upon receiving the certification of the claimant agency of the amount of the delinquent debt, the department shall determine if the debtor is due a refund. If the debtor is due a refund of more than a tolerance amount as determined by the department, the department shall set off the delinquent debt against the amount of the refund. The department may retain an amount not to exceed twenty-five dollars of each refund set off to defray its administrative expenses, and that amount may be added to the debt. Apportionment is not required in the case of a refund resulting from filing a joint return. A person has no property right or property interest in a refund until all amounts due the State and claimant agencies are paid. The department shall consider a delinquent debt and debtor list provided by a claimant agency as correct and the department is not liable for a wrongful or improper setoff.

HISTORY: 1995 Act No. 76, Section 5; 1999 Act No. 114, Section 3; 2003 Act No. 69, Section 3.KK.3, eff June 18, 2003.

**SECTION 12-56-62.** Notice of intention to set off debt; form, delivery and presumption.

The notice of intention to set off must be given by mailing the notice, with postage prepaid, addressed to the debtor at the address provided to the claimant agency when the debt was incurred or at the debtor's last known address. The giving of the notice by mail is complete upon the expiration of thirty days after deposit of the notice in the mail. A certification by the claimant agency that the notice has been sent is presumptive proof that the requirements as to notice are met, even if the notice actually has not been received by the debtor. The notice must include a statement of appeal procedures available to the debtor, substantially as follows:

"According to our records, you owe the (claimant agency) a debt in the amount of (amount of the debt), plus interest, if applicable, for (type of debt). You are hereby notified of the (claimant agency's) intention to submit this debt to the South Carolina Department of Revenue to be set off against your individual income tax refunds until the debt is paid in full. Pursuant to the Setoff Debt Collection Act, this amount, plus all costs, will be deducted from your South Carolina individual income tax refunds unless you file a written protest within thirty days of the date of this notice. If you file a joint return with your spouse, this amount will be deducted from the total joint refunds without regard to which spouse incurred the debt or actually withheld the taxes. The protest must contain the following information:

- (1) your name;
- (2) your address;
- (3) your social security number;
- (4) the type of debt in dispute; and
- (5) a detailed statement of all the reasons you disagree with or dispute the debt.

The original written protest must be mailed to the (claimant agency) at the following address: (address of the entity requesting the setoff)".

HISTORY: 1999 Act No. 114, Section 3; 2003 Act No. 69, Section 3.KK.4. eff June 18, 2003.



**SECTION 12-56-63.** Protest procedure; administrative fees.

- (A) A debtor who protests the debt shall file a written protest with the claimant agency at the address provided in the claimant agency's notification of intention to set off. The protest must be filed within thirty days of the date of the notice of intention to set off and must contain the debtor's name, address, and tax identification number, identify the type of debt in dispute, and give a detailed statement of all the reasons that support the protest. The requirements of this section are jurisdictional.
- (B) To recover costs incurred by the Municipal Association of South Carolina and the South Carolina Association of Counties for submitting a debt pursuant to this chapter and Section 12-4-580 to the department for collection, the association may charge an administrative fee, not to exceed twenty-five dollars, that must be added to the debt. An association is exempt from the notice and appeal procedures of this chapter. The entity that has submitted its claim through the association is responsible for the notice and hearing requirements of this chapter.

HISTORY: 1999 Act No. 114, Section 3; 2003 Act No. 69, Section 3.KK.5, eff June 18, 2003.

**SECTION 12-56-65.** Protest and contested case hearings; refunds; erroneous retention or set off; time limit.

- (A) Before submitting a debt to the department, the claimant agency shall appoint a hearing officer to hear a protest of a debtor. This hearing officer is vested with the authority to decide a protest in favor of either the debtor or the claimant agency. The claimant agency shall certify to the department, on a form prescribed by the department, that a hearing officer has been appointed and shall inform the department of the name, address, and telephone number of the hearing officer. If this hearing officer is unable to serve at any time, the claimant agency shall appoint another hearing officer.
- (B) Upon receipt of a notice of protest, the claimant agency shall notify the department that a protest has been received and shall hold an informal hearing at which the debtor may present evidence, documents, and testimony to dispute the debt. The claimant agency shall notify the debtor of the date, time, and location of the informal hearing. At the conclusion of the informal hearing, the hearing officer shall render his determination. Upon receipt of a sworn certification from the hearing officer that he held an informal hearing and ruled in favor of the claimant agency, the department may proceed to collect the delinquent debt regardless of a subsequent appeal by the debtor.
- (C) A debtor may seek relief from the hearing officer's determination by requesting, within thirty days of the determination, a contested case hearing before the Administrative Law Judge Division. A request for a hearing before the Administrative Law Judge Division must be made in accordance with its rules.
- (D) If a portion of the delinquent debt is collected by the department and the determination of the hearing officer in favor of the claimant agency is later reversed or the debtor prevails in a claim for refund, the claimant agency shall refund the appropriate amount to the taxpayer, including the appropriate amount of the fee. That portion of the refund reflecting the department's fee must be paid from claimant agency funds. If the claimant agency is found to be entitled to a portion of an amount collected by set off, it is not required to refund the setoff fee retained by the department.

- (E) If a refund is retained in error, the claimant agency shall pay to the taxpayer interest calculated as provided in Section 12-54-20 from the date provided by law after which interest is paid on refunds until the appeal is final, except that interest does not accrue when the claimant agency is the Office of Child Support Services of the South Carolina Department of Social Services.
- (F) If the claimant agency determines that money has been erroneously or illegally collected, the claimant agency, in its discretion, may issue a refund, even if the debtor does not file a protest or file a claim for refund.
- (G) A collection may not be contested more than one year after the date it was made. The date of collection must be conclusively determined by the department. This provision must be construed as a statute of repose and not as a statute of limitation.
- (H) A debtor may make a claim for refund of an amount collected pursuant to this chapter within one year from the date the amount is collected, in the same manner as seeking relief from a hearing officer's determination pursuant to Section 12-56-65 or 12-56-67.

HISTORY: 1999 Act No. 114, Section 3; 2003 Act No. 69, Section 3.KK.6, eff June 18, 2003.

**SECTION 12-56-67. Jury trial rights.**

This section does not create a right to jury trial where one does not already exist. Where a debtor otherwise is entitled to have a jury determine the issue of indebtedness, that right is preserved specifically. If a right to a jury trial already exists and the debtor wishes to exercise that right, the debtor is not required to request a contested case hearing before the Administrative Law Judge Division but instead must file a summons and complaint in the Court of Common Pleas and serve the pleadings on the claimant agency within thirty days from the date of the hearing officer's determination. The summons and complaint must name the claimant agency as a defendant and the allegations of the complaint must contest the debt and any potential setoff.

HISTORY: 1999 Act No. 114, Section 3.

**SECTION 12-56-70. Priority of claims to refund.**

Claims to refunds allowed to be set off under this article must be made by a claimant agency filing a written notice with the department of its intention to effect collection through setoff under this article. The following is the order of priority for multiple claims filed:

- (1) claims of the Department of Revenue;
- (2) claims of the Division of Child Support Enforcement of the State Department of Social Services;
- (3) other claims of the State Department of Social Services and other state agencies;
- (4) claims of the Internal Revenue Service and claims filed by institutions of higher learning;
- (5) claims of other agencies not given a specific priority.

Priority within a class in which multiple claims are filed is the order in time in which the claimant agencies filed the written notice with the department of the intention to effect collection through setoff under this article.

HISTORY: 1995 Act No. 76, Section 5.



**SECTION 12-56-80.** Proceeds collected transmitted to agency; accounting provided by department to agency; credit to debtor's obligation by agency; notification of agency to debtor of setoff.

- (A) Simultaneously with the transmittal of proceeds collected to a claimant agency, the department shall provide the agency with an accounting, which, whenever possible, must include the full names of the debtors and the debtors' social security numbers. No federal tax return information may be divulged by the department under any circumstances.
- (B) Upon receipt by a claimant agency of proceeds collected on its behalf by the department and an accounting thereof as specified under this section, the agency shall credit the debtor's obligation and shall notify the debtor in writing of the amount of the setoff.

HISTORY: 1995 Act No. 76, Section 5.

**SECTION 12-56-90.** Information from department to be used only by agency for collection purposes; penalties for disclosure.

- (A) The exchange of information among the department, claimant agency, and the debtor pursuant to this chapter is lawful.
- (B) The information obtained by a claimant agency from the department in accordance with the exemption allowed by subsection (A) may be used by the agency only in the pursuit of its debt collection duties and practices. A person employed by or formerly employed by the agency who discloses the information for another purpose is subject to the penalties provided in Section 12-54-240.

HISTORY: 1995 Act No. 76, Section 5; 1998 Act No. 432, Section 16.

**SECTION 12-56-100.** Indemnification of department by agency.

Claimant agencies shall indemnify the department against any injuries, actions, liabilities, or proceedings arising from performance under the provisions of this chapter.

HISTORY: 1995 Act No. 76, Section 5.

**SECTION 12-56-110.** Department regulations, forms and procedures permitted.

The department may promulgate regulations and prescribe forms and procedures necessary to implement this chapter.

HISTORY: 1995 Act No. 76, Section 5; 1999 Act No. 114, Section 3.

**SECTION 12-56-120.** Department and Internal Revenue Service exempt from notice and appeal procedures; other procedures as exclusive remedy.

The department and Internal Revenue Service are exempt from the notice and appeal procedures of this chapter. The sole and exclusive appeal procedure for the setoff of a debt owed to the department is governed by the provisions of Chapter 60 of Title 12. The appeal procedure in connection with a liability to the Internal Revenue Service is governed by Title 26 of the United States Code.

HISTORY: 1999 Act No. 114, Section 3; 2001 Act No. 89, Section 38, eff July 20, 2001.



# NOTICE AND APPEAL REQUIREMENTS FOR THE SETOFF DEBT COLLECTION ACT

The Setoff Debt Collection Act imposes strict requirements as to the notice and appeal procedures.

1. The Act specifies the language of the notice letter that **MUST** be followed verbatim.
2. The Act now eliminates the certified mailing requirements and allows the notice to be sent by regular mail.
3. The notice may be mailed to the address the debtor provided to you at the time the debt was incurred or to the debtor's last known address.
4. The certification that the notice has been sent is presumptive proof that the requirements as to notice have been met.
5. The Act requires the debtor's Notice of Protest to be in writing and sent to an address that you specify in your notice letter to the debtor.
6. The debtor's Notice of Protest must contain the debtor's name, address, social security number, the type of debt in dispute, and a detailed statement of the reasons the debtor disputes the debt.
7. The requirements of the debtor's Notice of Protest are jurisdictional. This means they must be followed by the debtor. Failure to follow them is grounds to dismiss the debtor's Protest.
8. The Act requires you to appoint a **HEARING OFFICER** to hear debtor protest.
9. The Act requires you to notify the Department of the name, address, and telephone number of the **HEARING OFFICER**.
10. The Act vests the **HEARING OFFICER** with the power to decide debtor protest in favor of either the debtor or the claimant agency.
11. If a Notice of Protest is received by a debtor, the Act requires; (i) you to immediately notify the Department of the protest on a form prescribed by the Department; (ii) you to notify the debtor of the date, time, and location of the informal hearing using the address provided by the debtor in his notice of protest; (iii) the **HEARING OFFICE** conducts an informal hearing at which the debtor shall be allowed to present evidence, documents, and testimony as to why the debt is not due, and (iv) if the protest is decided in favor of the claimant agency, the Act requires the **HEARING OFFICE** to certify such to the Department before any setoff will be made by the Department.

12. The Act specifically provides for appeals from the Hearing Office's decision, but allows the setoff to be made in the meantime. If the debtor is entitled to a jury trial and wishes to exercise that right, he must file and serve a lawsuit within thirty days of the date the Hearing Office's decision was rendered. Otherwise, the debtor must request a contested case hearing before the Administrative Law Judge Division in accordance with its rules.
13. If the appeal from the Hearing Office's decision is later decided in favor of the debtor, you will be required to refund the appropriate amount to the debtor plus interest. If the claimant agency is found to be entitled to no part of the amount set off, you must refund the entire amount set off on your behalf, including the administrative fee retained by the Department plus interest calculated as provided in Section 12-54-20. However, if you are found to be entitled to any portion of the amount set off, you are not required to refund the administrative fee retained by the Department, and only must refund the appropriate amount plus interest calculated as provided in Section 12-54-20.

The Department has enclosed five forms. Most of the content of the **first three forms is mandated by statute**. While the last two forms are not mandatory, it is strongly suggested that you use either these forms or ones that are substantially similar. The forms are as follows:

1. Notice Letter to Debtor.
2. Notice to the Department of Protest by Debtor.
3. Certification of Hearing.
4. Decision of the Hearing Office.
5. Appeal of Decision of the Hearing Office.

The Department recommends that every decision of the Hearing Office be in writing and be delivered to the debtor, along with instructions on how to appeal the decision of the Hearing Office. Forms four and five above have been provided for this purpose.

A copy of the Setoff Debt Collection Act is enclosed for your convenience. It is highly recommended that you consult with your attorney if you have any questions about the Setoff Debt Collection Act.



## **NOTICE LETTER TO DEBTOR**

**PLEASE BE ADVISED THE ACT SPECIFIES  
THE LANGUAGE OF THE NOTICE WHICH MUST BE SUBSTANTIALLY  
FOLLOWED.**

### **THE LETTER IS AS FOLLOWS:**

According to our records, you owe (the claimant agency) a debt in the amount of (amount of debt), plus accruing interest if applicable, for (type of debt). You are hereby notified of (the claimant agency's) intention to submit or resubmit this debt to the South Carolina Department of Revenue for collection through the Setoff Debt Collection Act and/or Governmental Enterprise Accounts Receivable Collections Program (GEAR) until the debt is paid in full.

The Setoff Debt Collection Act allows the Department of Revenue to deduct, from any refund, this amount plus all costs, including a \$25 administrative fee. If you file a joint return with your spouse, this amount will be deducted from the total joint refund without regard to which spouse incurred the debt or actually withheld the taxes.

The GEAR Program, S.C. Code Section 12-4-580, authorizes the Department of Revenue to utilize all rights and powers of collection allowed it under Title 12 in collection of the above debt. These powers include garnishment of wages, seizure of bank accounts, sales of real or personal property, and the revocation of any license.

The Department will utilize the powers granted under Title 12 of the S.C. Code unless you file a written protest, within thirty (30) days from the date of this notice, with the information contained below:

1. your name;
2. your address;
3. your social security number;
4. the type of debt in dispute; and
5. a detailed statement of all reasons you disagree with the debt amount or dispute that you owe the debt.

The original written protest must be mailed to (the claimant agency) at the following address: (address of entity requesting the setoff)

# NOTICE TO THE DEPARTMENT OF PROTEST BY DEBTOR

**PLEASE BE ADVISED THE ACT REQUIRES THAT YOU MUST IMMEDIATELY NOTIFY THE DEPARTMENT (ON A FORM PRESCRIBED BY THE DEPARTMENT) IF THE DEBTOR FILES A WRITTEN PROTEST. THE INFORMATION WHICH MUST BE SUBMITTED TO THE DEPARTMENT IS AS FOLLOWS:**

Claimant Agency: \_\_\_\_\_ Agency ID# \_\_\_\_\_  
Debtor Name: \_\_\_\_\_  
Debtor SSN: \_\_\_\_\_  
Orig. Debt Amount: \_\_\_\_\_

The above debtor has filed a notice of protest with the undersigned claimant agency.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

Date: \_\_\_\_\_

Mail To: SC Dept of Revenue  
Attn: Loretta Patterson/Kalesha Campbell  
Protest: Setoff Debt Collection Act  
PO Box 125  
Columbia SC 29214



## CERTIFICATION OF HEARING

**PLEASE BE ADVISED THE ACT REQUIRES THAT ONCE A PROTEST HAS BEEN FILED BY A DEBTOR, NO SETOFF CAN BE MADE UNLESS AND UNTIL THE HEARING OFFICER CERTIFIES TO THE DEPARTMENT (ON A FORM PRESCRIBED BY THE DEPARTMENT) THAT HE HAS CONDUCTED A HEARING AND RULED IN FAVOR OF THE CLAIMANT AGENCY. THE FORM WHICH MUST BE SUBMITTED TO THE DEPARTMENT IS AS FOLLOWS:**

Claimant Agency: \_\_\_\_\_ Agency ID#: \_\_\_\_\_  
Debtor Name: \_\_\_\_\_ Hearing Date \_\_\_\_\_  
Debtor SSN: \_\_\_\_\_  
Orig. Debt Amount: \_\_\_\_\_

I certify that I have conducted a hearing in the above matter, in accordance with SC Code Section 12-56-65, and have ruled in favor of the claimant agency. I further certify that:

- \_\_\_ The amount of the debt originally submitted has not changed.
- \_\_\_ The amount of the debt has been REDUCED and the new amount is \_\_\_\_\_
- \_\_\_ The debtor did not appear for the hearing; therefore, the amount of the debt originally submitted is correct.

\_\_\_\_\_  
Signature of Hearing Officer

\_\_\_\_\_  
(Print name of Hearing Officer)

SWORN to before me this \_\_\_\_\_  
Day of \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
Notary public for South Carolina  
My commission expires: \_\_\_\_\_

Mail form to SC Dept of Revenue, Attn: Loretta Patterson/Kalesha Campbell, Protest: Setoff Debt Collection,  
PO Box 125, Columbia SC 29214.

## Decision of the Hearing Officer

Entity/Claimant Agency: \_\_\_\_\_ Agency ID#: \_\_\_\_\_  
Debtor Name: \_\_\_\_\_ Informal Hearing Date: \_\_\_\_\_  
Debtor SSN/FEI: \_\_\_\_\_  
Original Debt Amt: \_\_\_\_\_  
Orig. Submission Date: \_\_\_\_\_

This matter came before me for informal hearing pursuant to S.C. Code Section 12-56-65. I find that:

- ☐ No amount is due from the debtor.
- ☐ The amount of the debt originally submitted through the Debt Setoff Collection Act should be REDUCED and the proper amount due is \_\_\_\_\_.
- ☐ The amount of the debt originally submitted through the Debt Setoff Collection Act is correct and is rightfully due from the above debtor.
- ☐ The debtor did not appear for the hearing; therefore, the amount of the debt originally submitted is correct.

The specific reasons for my rulings are as follows:

\_\_\_\_\_  
Signature of Hearing Officer

\_\_\_\_\_  
Print name of Hearing Officer

**THIS FORM CAN BE GIVEN TO THE DEBTOR AND A COPY KEPT FOR YOUR RECORDS. IT IS NOT NECESSARY TO SEND THIS FORM TO THE DEPARTMENT OF REVENUE.**



# Appeal of Decision of the Hearing Officer

If you are dissatisfied with the decision of the Hearing Officer, you have a right to appeal.

## Administrative Appeal.

You may appeal the decision of the Hearing Officer by requesting a contested case hearing before the Administrative Law Judge Division. The request must be made in writing within thirty days of the date the Hearing rendered his decision and must be made in accordance with the rules of the Administrative Law Judge Division. Pursuant to S.C. Code Ann. Section 12-56-65, the appeal will not stop a setoff of your tax refund from occurring. If you are successful on appeal, you will receive a refund of the appropriate amount. However, if any portion of the debt is found to be due, you will not receive a refund of the administrative fee retained by the S.C. Department of Revenue.

## Jury Trial.

The Setoff Debt Collection Act does not create a right to a jury trial where one does not already exist. However, depending on the type of debt, other laws of South Carolina may entitle you to demand to have a jury determine the issue of indebtedness. In cases where a right to jury trial already exists and you wish to exercise that right, you will not be required to request a contested case hearing before the Administrative Law Judge Division, but instead, must file a summons and complaint in the Court of Common Pleas and serve the same on the claimant agency within thirty days from the date the Hearing Officer's decision was rendered. The summons and complaint must name the claimant agency as a defendant and the allegations of the complaint must contest the debt and any potential setoff. Pursuant to S.C. Code Ann. Section 12-56-65, the appeal will not stop a setoff of your tax refund from occurring. If you are successful on appeal, you will receive a refund of the appropriate amount. However, if any portion of the debt is found to be due, you will not receive a refund of the administrative fee retained by the S.C. Department of Revenue.



**SOUTH CAROLINA DEPARTMENT OF REVENUE**  
**NOTICE OF ADJUSTMENT For Period**  
**OR PROPOSED ASSESSMENT**

**I-267**  
(Rev. 11/18/05)  
3049

Your South Carolina tax return, Form \_\_\_\_\_ has been corrected as shown below. See reverse side for instructions. **This demand is not applicable if you are currently in bankruptcy. Any monies due will be sought in accordance with the provisions of Title 11.**

Date 07-10-12

613033

M IIII IIT NOA

Document #  
Taxpayer's SSN/FEI  
Spouse's SSN

OFFICE USE

1. SC Taxable Income Shown On Return/Previous Adjustment .....	1.	\$	19,728.00
2. Corrections (See reason(s) below) .....	2.		
3. Corrected Taxable Income .....	3.		19,728.00
4. Corrected Tax _____ Lump Sum Tax _____ Total	4.		913.00
5. Credits (Nonrefundable) .....	5.		
6. Payments: _____ Subtotal			
Withholding _____ Payment with Return _____			
Declaration _____ Payment with Extension _____			
Tuition Tax Credit _____			
	Total Payments	6.	1,200.00
7.		7.	287.00
8. Transferred Est. Tax _____ Previous Overpayment _____			
Outstanding Debts _____ Total Adjustments	8.		
9. Contributions and/or Use Tax	9.		
10. Penalty _____ Declaration Penalty _____ Total Pen. ▶	10.		
11. Interest _____ Total Int. ▶	11.		
12. AMOUNT YOU OWE	▶ 12.	\$	

OUTSTANDING DEBT: YOUR RETURN HAS BEEN PROCESSED AND A PORTION OR ALL OF YOUR REFUND HAS BEEN APPLIED TO AN OUTSTANDING DEBT WITH THE AGENCY LISTED BELOW. UNDER THE PROVISIONS OF CHAPTER 56 TITLE 12 OF THE SC CODE OF LAWS, THE SC DEPT OF REVENUE MUST APPLY YOUR REFUND TO THE OUTSTANDING DEBT (S). IF YOU HAVE ANY QUESTIONS OR WISH TO APPEAL THE SEIZURE OF YOUR REFUND, CALL OR WRITE THE APROPRIATE AGENCY(S) LISTED BELOW.  
A \$25 ADMINISTRATIVE FEE HAS BEEN CHARGED BY SC DEPT OF REVENUE.

AGENCY/INSTITUTION NAME	SSN OF	AMOUNT TRANSFERRED TO
TELEPHONE NUMBER	DEBTOR	AGENCY/INSTITUTION
		\$130.32

SC DEPT OF REVENUE  
300 OUTLET POINTE BLVD  
COLUMBIA, SC 29210  
(803) 898-5709

RECEIVABLE  
#00000000



**CORRECTION OF RETURN:** Please compare the items of information on the front of this notice with the same information on your copy of your South Carolina tax return. **Figures on this form which differ from those on your copy of your tax return are corrections.**

**REFUND:** If you are due a refund, a check will be mailed to you within (thirty) 30 days of this notice.

**ADDITIONAL AMOUNT DUE:** If you owe an additional amount it must be paid within thirty (30) days of the date of this notice. **Exception:** If you filed a balance due return for the current year, the amount due must be paid by April 15 to avoid penalty and interest.

**APPEAL PROCEDURE:** If you disagree with this adjustment or proposed assessment, you are entitled to appeal the findings under the following procedures.

- A. If you agree with the adjustment, the additional amount due should be paid within 30 days of the date on this proposed assessment to avoid additional interest and penalties, if applicable.
- B. You may agree with portions of the proposed assessment and disagree with others. The portion of the assessment with which you agree may be paid to avoid additional interest and penalty, and the remainder can be appealed.
- C. **If you disagree with part or all of the proposed assessment, you may make an appeal by sending a written protest within 90 days from the date on this proposed assessment.**

Protest forms (C-245) are available by calling (803) 898-5320 or you may visit any SC Department of Revenue office. You may choose to send a letter rather than using the Form C-245. The letter must contain the following information.

1. Taxpayer's name (individual, corporation, etc.);
2. Taxpayer's identification number (Social Security, Federal Employer Identification, License, etc.);
3. Period for which the tax is proposed;
4. Type of tax in dispute (individual income, sales, etc.);
5. All of the reasons you disagree with the proposed assessment.

If you have any questions, call the telephone number shown on the front of this proposed assessment.

**ATTACH A COPY OF THIS NOTICE TO YOUR PAYMENT AND TO ANY CORRESPONDENCE. THE MAILING ADDRESS IS:**

SC DEPARTMENT OF REVENUE  
NOA  
COLUMBIA, SC 29214-0011

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**OUTSTANDING DEBTS** (if indicated on front): Under the provisions of 12-56-10 through 12-56-110 and 12-53-20 of the South Carolina Code of Laws, the South Carolina Department of Revenue is authorized to seize refunds otherwise due to taxpayers who have delinquent debts with the South Carolina Department of Revenue, Internal Revenue Service, other government agencies, and public or private institutions of higher learning.

If your refund was seized, the name, address, and telephone number of the agency which requested the seizure are printed on the lower section of the front of this form. **IF YOU HAVE ANY QUESTIONS OR WISH TO APPEAL THE SEIZURE OF YOUR REFUND, WRITE OR CALL THE AGENCY WHICH REQUESTED THE SEIZURE** at the address or telephone number given.

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#### TAXPAYER'S BILL OF RIGHTS

The Taxpayers' Bill of Rights gives you certain rights when dealing with the South Carolina Department of Revenue. These include the right to:

1. File an application for relief with the taxpayer advocate in a situation where you are suffering or are about to suffer a significant hardship as a result of the manner in which the Department of Revenue is administering the tax laws.
2. Advance notification that your hearing may be recorded and a copy sent to you.
3. The publication of clear, concise and non-technical statements of taxpayer rights mailed with each notice of audit.
4. Have your attorney, accountant or other designated agent present at a hearing.
5. The establishment by the Department of Revenue of an appeals process for modifying or releasing liens.
6. Bring action against the state for damages suffered because of disregard of Department of Revenue policy by an employee.

# SOUTH CAROLINA DEPARTMENT OF REVENUE

## 2015 GEAR Collections Application



## Governmental Enterprise Accounts Receivable





# SOUTH CAROLINA DEPARTMENT OF REVENUE

## GEAR

### Governmental Enterprise Accounts Receivable Collections

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**State of South Carolina**  
**Department of Revenue**  
300A Outlet Pointe Boulevard, P.O. Box 125, Columbia, South Carolina 29214

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Dear GEAR DEBT COORDINATOR:

The Department of Revenue is excited about partnering with you again in the collection of debts owed to South Carolina governmental entities. Thank you for allowing us to provide collection services to you through GEAR in 2014. The GEAR Program has been a success for the sixty-seven (67) entities participating so far and we are looking forward to an even greater success in 2015.

An application to participate in the calendar year 2015 GEAR Program is enclosed. Please read the information and instructions thoroughly before completing the application. The information will assist you in completing the application as well as answer many questions you may have. As always, please take special note of the appeal requirements.

As you are aware, the GEAR Program (Section 12-4-580 of the South Carolina Code of Laws) authorizes the Department of Revenue to contract with any other governmental entity to collect outstanding liabilities owed. In administering the provisions of such agreements, the SCDOR has all the rights and powers of collection allowed it under Title 12 for the collection of taxes and all such rights and powers authorized the governmental entity to which the liability is owed. Participation in the GEAR Program not only places participates in the Setoff Debt Collection Program but carries the collection process to a higher level than the yearly income tax refund seizure. GEAR uses an extensive letter campaign followed by wage garnishments, payment agreements, and payment levies.

We also remind you of Proviso 117.37 of the General Appropriations Bill for FY2014-2015. The Proviso provides that each state agency shall provide to the Chairmen of the Senate Finance, House of Representatives Ways and Means Committees, and Inspector General a report detailing the amount of its outstanding debt and all methods it has used to collect the debt. The report is due by the last day of February. Remember to include the GEAR Program in your report.

Please contact Doris Mosley, GEAR Debt Coordinator, at 803-898-5694, email [mosleyd@sctax.org](mailto:mosleyd@sctax.org) or Sheri Dunbar, GEAR Debt Coordinator, at 803-898-5376 or email [dunbars@sctax.org](mailto:dunbars@sctax.org) if we may provide additional information. We look forward to working with you in 2015.

Sincerely,  
SOUTH CAROLINA DEPARTMENT OF REVENUE COLLECTION SERVICES

Enclosures



## GEAR Program Dates to Remember

<b>July 1- July 31</b>	<b>Department of Revenue (DOR) will mail application packet.</b>
<b>August 31</b>	Application for Participation is <b>due on or before</b> to SCDOR.
<b>Sept 1 – Sept 30</b>	SCDOR will notify agency that application has been received and requested record layout format and instructions will be mailed.
<b>Sept 1 – Sept 30</b>	DOR will mail inventory report to agency providing listing of debtors to be notified on behalf of agency. Any adjustments should be mailed back to Doris Mosley or Pamela Johnson within two (2) weeks
<b>December 1</b>	CD/Diskettes and Files Transfer are due to SCDOR for Debt Setoff.

**NOTE:** Notice Letter to Debtor and Due Process must be given to debtor no less than thirty (30) days prior to submitting name and social security number to SCDOR for collections.

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State of South Carolina  
**Department of Revenue**  
300A Outlet Pointe Boulevard., P.O. Box 125, Columbia, SC 29214

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**PLEASE READ INFORMATION THOUROUGHLY**

GENERAL INFORMATION

**I. Notice to Debtor**

- A. Before a request for collection may be made, **the claimant agency must notify the debtor of its intention to cause the debtor's refund to be setoff** no less than thirty (30) days before the request is submitted to the department. This notice must be given by mailing the notice, with postage prepaid, addressed to the debtor at the address provided to the claimant agency when the debt was incurred or at the debtor's last known address. The notice must include a statement of appeal procedures available to the debtor, substantially as follows:

**'According to our records, you owe (the claimant agency) a debt in the amount of (amount of debt), plus interest if applicable, for (type of debt). You are hereby notified of (the claimant agency's) intention to submit and/or resubmit this debt to the South Carolina Department of Revenue through the Setoff Debt Collection Act and/or the Governmental Enterprise Accounts Receivable Collections Program (GEAR) until the debt is paid in full.**

**The Setoff Debt Collection Act allows the Department of Revenue to deduct, from any refund, this amount plus all costs, including a \$25 administrative fee. If you file a joint return with your spouse, this amount will be deducted from the total joint refund without regard to which spouse incurred the debt or actually withheld the taxes.**

**The GEAR Program, SC Code Section 12-4-580, authorizes the Department of Revenue to utilize all rights and powers of collection allowed under Title 12 in collection of the above debt. These powers include garnishment of any wages, seizure of bank accounts, sales of real or personal property, and the revocation of any license.**

**The Department of Revenue will utilize the powers granted under Title 12 of the SC Code unless you file a written protest, within thirty (30) days from the date of this notice, with the information contained below:**

- 1. your name;**
- 2. your address;**
- 3. your social security number;**
- 4. the type of debt in dispute; and**
- 5. a detailed statement of all reasons you disagree with the debt amount or dispute that you owe the debt**

**The original written protest must be mailed to the (claimant agency) at the following address:  
(address of entity requesting the collection)'**



## II. Review by Claimant Agency

A debtor who protests the debt shall file a written protest with the claimant agency at the address provided in the claimant agency's notification of intention to setoff. The protest must be filed within thirty days of the date of the notice of intention to setoff and must contain the debtor's name, address, and social security number, identify the type of debt in dispute, and give a detailed statement of all the reasons which support the protest. The requirements of this section are jurisdictional.

Before submitting a debt to the department, the claimant agency shall appoint a hearing officer to hear a protest of a debtor. This hearing officer is vested with the authority to decide a protest in favor of either the debtor or the claimant agency. The claimant agency shall certify to the department, on a form prescribed by the department, that a hearing officer has been appointed and shall inform the department of the name, address, and telephone number of the hearing officer. If this hearing officer is unable to serve at any time, the claimant agency shall appoint another hearing officer. **This information will be submitted on the GEAR Application.**

Upon receipt of a notice of protest, the claimant agency shall notify the department that a protest has been received and shall hold an informal hearing at which time the debtor may present evidence, documents, and testimony to dispute the debt. The claimant agency shall notify the debtor of the date, time, and location of the informal hearing. At the conclusion of the informal hearing, the hearing officer shall render his determination. Upon receipt of a sworn certification from the hearing officer that he held an informal hearing and ruled in favor of the claimant agency, the department may proceed with the setoff, regardless of a subsequent appeal by the debtor. The department must be notified by the claimant agency hearing officer of a protest at the following address:

**SC Department of Revenue  
Attn: Doris Mosley or Sheri Dunbar  
Protest – GEAR  
PO Box 125  
Columbia, SC 29214**

If a setoff is made and the determination of the hearing officer in favor of the claimant agency is later reversed, the claimant agency shall refund the appropriate amount to the taxpayer. If the claimant agency is found to be entitled to no part of the amount setoff, it shall refund the entire amount plus the administrative fee retained by the department. That portion of the refund reflecting the administrative fee must be paid from claimant agency funds. If the claimant agency is found to be entitled to a portion of the amount setoff, it is not required to refund the administrative fee retained by the department.

### III. Application for Participation

- B. On or before August 31 of each year, claimant agencies must furnish to the department an application with the information listed below. This application is effective only to initiate setoff against refunds in the subsequent calendar year.
- a) The name, address, and telephone number of the individual or section to whom the department should direct inquiries, if further information is required.
  - b) An estimate of the number and dollar amount of accounts to be forwarded for possible setoff.
  - c) A letter of authorization from the claimant agency head which includes the name, title and sample signature of the person(s) authorized to make requests for service.
  - d) The name, address, and telephone number of the assigned hearing officer for protests, if necessary.
- C. CD Rom, diskettes and file transfer are the transmitting mediums. Formats for the selected medium will be mailed by September 30 along with confirmation of your application.
- D. Priority in multiple claims to refunds allowed to be setoff must be in the order in time which a claimant agency has filed an application of participation with the department. However, claims filed by any agency of state government have priority over claims filed by the Internal Revenue Service or an institution of higher learning. Notwithstanding this priority according to time of filing, the department has priority over all other claimant agencies for collection by setoff whenever it is a competing agency for a refund.

### IV. Submission of Debts

- A. Before **December 1**, claimant agencies must forward a CD Rom, diskette, or file transfer of their debt files along with a **statement certifying them for collection**. Such statement should be signed by the claimant agency head or the person(s) authorized to make requests for service and contain language similar to the following:

**That all liabilities submitted to the Department for collection under this program meet the requirements of S.C. Code Section 12-4-580(D) (2) in that each liability is "a debt which is certified by the governmental entity to be owed it for which all rights of administrative or judicial appeal have been exhausted, or all time limits for those appeals have expired."**

**That with respect to each liability submitted to the Department for collection under this program that it has adopted and followed the due process procedures contained in Sections 12-56-62, 12-56-63(a), 12-56-67 and 12-56-70, with the additional language in the notice letter that was specified by the Department.**



**THIS STATEMENT MUST ACCOMPANY THE INITIAL SUBMISSION**

Pursuant to 12-56-60, the information certifying the debt files for collection must be received before **December 1** in order to offset refunds to be made in the subsequent year.

CD Rom and diskettes should be mailed or delivered to:

**Doris Mosley or Sheri Dunbar, GEAR Coordinator  
South Carolina Department of Revenue  
Post Office Box 125  
Columbia, South Carolina 29214**

B. Claimant agencies must submit to the department a list of claims which includes:

- a) Debtor's name
- b) Social Security number
- c) Agency number (code)
- d) Agency I.D. number (fund)
- e) Debt amount
- f) Date of default

C. It is extremely important that the above information is transmitted accurately. It shall be the responsibility of the claimant agency to insure the accuracy of claims submitted. No claims will be processed unless submitted in required form.

**V. Submission of Updates: Deletions and Reductions in Debt Amount**

The certified list of claims must be received by the department by **December 1** of each calendar year. Changes such as deletions/additions of accounts and reductions in debt amount may be made throughout the year. However, the amount of debt requested cannot be increased after December 1. Corrections can be made only by returning information on selected medium. Updates require the same data as new submissions

**VI. Collections**

Pursuant to the Governmental Enterprise Accounts Receivable Collections Program, S.C. Code Section 12-4-580, the Department is authorized to utilize all rights and powers of collection allowed it under Title 12 of the S.C. Code for the collection of taxes and all rights and powers of the entity/claimant agency in the collection of debts. These powers include but are not limited to garnishment of wages; levy and seizure of bank accounts or any other intangible assets; seizure and sale of any real or personal property; the issuance of a lien which will encumber all property, both real and personal, tangible and intangible; and the revocation of any sales tax license.

The department is not required to apportion refunds resulting from filing of joint returns. The certified delinquent debt and debtor list provided by the claimant agency shall be presumed correct by the department.

**VII. Transmittal of Funds and Accounting of Setoff to Claimant Agency**

The Department will create two (2) separate reports listing collections through Debt Setoff and those through other collection actions. Checks for payments, less the Department fees, will be sent with the reports on a monthly basis.

**VIII. Indemnification of South Carolina Department of Revenue**

South Carolina Code 12-56-100 and 12-4-580 state that the claimant agencies will indemnify the department. By participating in this program, the claimant agencies acknowledge that they will indemnify the department against any injuries, actions, liabilities, or proceedings arising from performance under the GEAR contract.

**IX. The Following are enclosed:**

- SC Revenue Procedural Bulletin
- GEAR Implementation Information
- Chapter 56 of SC Code of Laws
- Section 12-4-580 of SC Code of Laws

If you have any questions regarding debt match processing or procedures, please contact Doris Mosley at (803) 898-5694/ email [mosleyd@sctax.org](mailto:mosleyd@sctax.org) or Sheri Dunbar at (803)898-5376/email [dunbars@sctax.org](mailto:dunbars@sctax.org)



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State of South Carolina  
Department of Revenue  
300A Outlet Pointe Blvd, P. O. Box 125, Columbia, South Carolina 29214

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SC REVENUE PROCEDURAL BULLETIN #02-2

SUBJECT: Governmental Enterprise Accounts Receivable Collections ("GEAR")

EFFECTIVE DATE: Applies to all periods open under the statute.

SUPERSEDES: SC Revenue Procedural Bulletin #01-8 and all previous advisory opinions and any oral directives in conflict herewith.

REFERENCES: S.C. Code Ann. Section 12-4-580 (2000) as amended by Act No. 89, Section 44, 2001 Legislative Session  
S.C. Code Ann. Section 12-56-10, *et. seq.* (2000)  
S.C. Code Ann. Section 12-54-130 (2000)

AUTHORITY: S. C. Code Ann. Section 12-4-320 (2000)  
S.C. Code Ann. Section 1-23-10(4) (2000)  
SC Revenue Procedure #99-4

SCOPE: The purpose of a Revenue Procedural Bulletin is to provide immediate procedural guidance to the public and Department personnel. It is a written statement issued to assist in the administration of laws and regulations by providing guidance that may be followed in order to comply with the law. A Revenue Procedural Bulletin does not have the force or effect of law, and is not binding on the public. It is, however, binding on agency personnel until superseded or modified by a change in statute, regulation, court decision, or advisory opinion.

## I. Introduction

Conservative estimates of uncollected governmental entity debt in South Carolina exceed two billion. (\$2,000,000,000.00). To the extent that a governmental entity is unable to collect all amounts that are due it, it can be difficult for the governmental entity to budget and fund essential governmental services. These unpaid liabilities also harm those citizens who are paying their fair share, and thereby threaten the integrity of our funding system.

Over the past several years, the Department of Revenue ("Department") has begun to implement a program whereby the Department will assist in the collection of liabilities due other governmental entities. In the initial efforts, the Department has offset state income tax refunds in payment of liabilities owed governmental and educational entities under the Setoff Debt Collection Act of Chapter 56 of Title 12 ("Debt Setoff"). More recently, the Department has implemented the program known as Governmental Enterprise Accounts Receivable Collections or "GEAR"

The GEAR program was enacted in 1996. Implementation of GEAR is part of the Department's enterprise approach to using its core competencies. The program is designed to use the Department's expertise to help other governmental entities<sup>1</sup> in collecting their liabilities.

Over the years, the Department has developed an experienced and highly trained collection staff that is skilled in collecting liabilities and in using the collection tools granted to the Department in an efficient and compassionate manner. Through GEAR, the Department believes that it can reduce the administrative burden on these governmental entities by using our collections staff to help governmental entities collect their liabilities. These activities then relieve some of the burden of government on all citizens, and promote the integrity of the system by ensuring that we all remit our fair share.

The Department, as a state agency, is not subject to the South Carolina Consolidated Procurement Code when contracting with these governmental entities for this service. The Department is issuing this revenue procedural bulletin to provide governmental entities, debtors, and other parties who may be affected by the GEAR program, information and conditions under which the program is being administered.

## **II. The Law**

Section 12-4-580 of the South Carolina Code of Laws ("Code") as amended by Act No. 89, Section 44, 2001 Legislative Session reads as follows:

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<sup>1</sup> Starting in 2002, state agencies will be reporting to legislative budget committees their outstanding accounts receivables and the collection efforts being used to collect those receivables. To the extent that a governmental entity is participating in the GEAR program, it may wish to report their enrollment in the GEAR program as a collection effort.

<sup>2</sup> South Carolina has 46 counties and approximately 285 municipalities, over 80 agencies, 85 school districts, numerous institutions of higher learning, and a multitude of special purpose districts and health care facilities, almost all of which have accounts receivable and staff attempting to collect those debts.



(A) The department and any other governmental entity may contract to allow the department to collect any outstanding liabilities owed the governmental entity. In administering the provisions of such agreements, the department has all the rights and powers of collection allowed it under this title for the collection of taxes and all such rights and powers authorized the governmental entity to which the liability is owed.

(B) The department may charge and retain a reasonable fee for any collection effort made on a governmental entity's behalf. The department may expend the funds resulting from any fees so charged and retained and may carry the funds forward from one fiscal year to the next. The amount of the fee must be negotiated between the governmental entity and the department.

(C) Governmental entities that contract with the department pursuant to this section shall indemnify the department against any injuries, actions, liabilities, or proceedings arising from the department's collecting or attempting to collect the liability owed to the governmental entity.

(D) As used in this section:

(1) "governmental entity" means the State and any state agency, board, committee, department, private or public institution of higher learning; all political subdivisions of the State; and all federal agencies, boards, and departments. "Political subdivision" includes the Municipal Association of South Carolina and the South Carolina Association of Counties when these organizations submit claims on behalf of their members.

(2) "liabilities owed the governmental entity" means a debt which is certified by the governmental entity to be owed it for which all rights of administrative or judicial appeal have been exhausted or all time limits of these appeals have expired.

### **III The Tools of Collection**

As noted in Section II above and Section VI following, before the Department receives a liability under the GEAR program, the governmental entity certifies that all appeal rights have been exhausted or have expired. The governmental entity also notifies the debtor that the liability is being transferred to the Department for collection. If the debtor does not satisfy the liability during the governmental entity's collection efforts, then the Department has a number of tools designed to enable it to efficiently collect those liabilities.

The first action the Department will usually take in connection with a GEAR liability is to write the debtor concerning the outstanding liability and advise him that the governmental entity has given the liability to the Department to collect. This notice advises that further action to collect the liability will be taken if the debtor does not pay the liability promptly. A Department representative may also call upon the debtor. Under the Debt Setoff program, the

Department also has the ability to offset a debtor's income tax refund. If the liability is not satisfied through these methods, the Department may also levy against the bank accounts or property of the debtor and may seek to garnish the wages of the debtor.

The Department may use all powers it has for "collection of taxes" in collecting GEAR liabilities. The remedy of garnishment is provided for in Code Sections 12-54-130 (wages) and 12-53-20 (intangibles). Code Section 12-54-130 permits withholding of 25% of the debtor's compensation if the debtor neglects or refuses to pay the liability within 10 days of notice and demand. Often a debtor will contact the Department and our representatives will negotiate an installment pay agreement as an alternative to immediate full payment or garnishment. The Department has established the following additional guidelines that it will follow regarding the garnishment of wages in connection with a liability received through the GEAR program.

1. As a general rule, the Department will seek garnishment on any debt greater than \$50. However, the Department is flexible in terms of wage garnishments. If the governmental entity request for the Department not use wage garnishments as a collections tool, the Department will grant request.
2. The Department will abide by the request of any governmental entity that the Department not use garnishment or levy when the debtor's income is below a level specified by the entity. For example, the governmental entity could request that only debtors with an annual gross income exceeding \$25,000 be subject to garnishment in payment of the governmental entity's account.
3. If a debtor's gross income is below 120% of the federal poverty level, as a general rule, the Department will not use garnishment to collect non-tax GEAR liabilities without an express request from the governmental entity. For the period October 1, 2001, to September 30, 2002, the federal poverty level for an individual is \$8,592.00 per year. Therefore, 120% of the federal poverty level is \$10,310.40 per year or \$859.20 per month. The Department will make the income determination by inquiry of the employer implementing the garnishment and use of other information available to the Department when such use does not violate laws governing confidentiality and unauthorized access. To the extent allowed by applicable law, the Department will consider all income sources of the debtor in determining whether the debtor's gross income is 120% below the federal poverty level.
4. Except as otherwise specified by the governmental entity, if the Department determines that a debtor has gross income in excess of five times the federal poverty level, the Department will use all means available to collect the liability. For the period October 1, 2001 to September 30, 2002, 500% of the federal poverty level for an individual is \$3,580.00 a month or \$42,960 a year. The Department will make the income



determination by inquiry of the employer implementing the garnishment and use of other information available to the Department when such use does not violate laws governing confidentiality and unauthorized access. To the extent allowed by applicable law, the Department will consider all income sources of the debtor in determining whether the debtor's gross income is five times the federal poverty level.

#### IV. Other Collection Matters

L. Generally, a liability must be greater than \$50 to be accepted for collection under the GEAR program. Exceptions include accumulation of multiple liabilities that exceed the threshold and liabilities that have been reduced through debt setoff.

2. The Department will consider the totality of the circumstances surrounding the liability and the debtor(s) in determining what action to pursue to collect the liability. For example, if two or more debtors are jointly and severally liable for a liability, the Department may choose to pursue collection against one of the debtors or both of the debtors. Likewise, if a debtor has several means of income, for example, he has two jobs and rental income from property, the Department may seek to garnish the wages from one or both of his jobs or may seek to levy on the property generating the rental income.

3. Unless the governmental entity requests otherwise, the Department may at any time during the collection process, establish an installment pay plan with a debtor that would allow him to pay his liability over a period of time in lieu of other collection action by the Department. Default on an installment pay plan may result in the Department's instituting other collection efforts.

#### V. Pre-existing Collection Contracts

Participation in the GEAR program is not mandatory. When governmental entities can negotiate more favorable collection terms with private collection agencies, it may be in everyone's best interest that these tools be exhausted before a liability is enrolled in the GEAR program. The Department's goal of efficient and effective collection of each person's fair share is furthered by this private partnership and the Department does not intend to interfere with any pre-existing contractual obligations. Before referring a liability to the Department pursuant to a GEAR agreement, governmental entities must ascertain whether the referral breaches any pre-existing contracts with a private collection agency. For example, some institutions of higher learning have contracted through a statewide RFP for services with a selected private collection agency, which may or may not limit use of the GEAR program for liabilities less than nine to twelve months old. Since the Department has no way of knowing whether a particular liability has been referred, the Department is requiring that - upon referring a GEAR liability to the

Department - the governmental entity certify that each referral under the GEAR program will not breach another contract. If the Department later finds that, notwithstanding the certification, a particular liability is referred to another, the Department will stop collection, return the liability to the governmental entity, and ask the governmental entity to recertify the remaining liabilities referred to the GEAR program.

The Department notes that the enterprise government concept acknowledges that all state agencies and political subdivisions are part of one entity. Nothing in this document is intended to suggest that the State, its agencies, and political subdivisions are separate entities for purposes of enterprise debt collection. Rather, the Department wishes to acknowledge and encourage all debt collection efforts in the most economical and efficient manner to better fund governmental services for all of South Carolina's citizens.

#### **VI. Due Process Requirements for Debts Certified to the Department**

Code Section 12-4-580 provides that for the Department to collect the liability, the "liabilities owed the governmental entity" must be debt "which is certified by the governmental entity to be owed it for which all rights of administrative or judicial appeal have been exhausted or all time limits for these appeals have expired." See Code Section 12-4-580(0)(2). For purposes of this temporary revenue procedural bulletin, these requirements will be called the "due process provisions."

The governmental entity may use the due process provisions of the Debt Setoff Program to comply with the GEAR statute's requirements. In that event, the Department will accept the following "Notice to the Department of Certification for GEAR Collection."

(Name of Governmental Entity) hereby certifies that each of the debts attached meets the requirements of the definition of liabilities owed the governmental entity" in South Carolina Code Section 12-4-580(D)(2), that all rights of notice and appeal contained in the Setoff Debt Collection Act, South Carolina Code Sections 12-56-10, et seq., have been given each debtor, and that all applicable rights granted by law, regulation, judicial or other order, or administrative procedures have been allowed the debtor and have been exhausted or the time limits have expired.

[Name of entity, authorized signature, title, date]

The Department has provided to each participant a copy of its summary of the Debt Setoff program, the GEAR program, and their requirements. Other procedures may satisfy the GEAR due process provisions. The Department is available to consult with any governmental entity or its counsel with questions about what may be required by the statutes and laws governing the governmental entity's due process obligations.



## **VII. Fees for GEAR Participation**

The statute provides that the Department may charge a reasonable fee negotiated with the governmental entity. The standard collection fee for the Department for all future GEAR contracts will be 28.5% of the liability collected. This rate is in addition to the fee charged to participate in the Debt Setoff program contained in Chapter 56 of Title 12. As noted in Section V., these rates will often apply to liabilities that remain after the failure of the governmental entity's internal efforts and those of private collection agencies that offer more competitive terms. The Department may negotiate a different rate with any of the governmental entities specified in Code Section 12-4-580(D)(1). The Department may negotiate other fee structures based upon various factors, including, but not limited to, the type, volume, and age of the debt, or the type of collection tools being utilized. As to hospitals and public and private institutions of higher learning, the Department will not increase or decrease the 28.5% fee except upon thirty days' prior public notice through the Department's on-line Policy List serve. A person can subscribe to the Policy List serve by going to the Department's website at [www.sctax.org](http://www.sctax.org) and subscribing to the advisory opinion e-mail subscription service ([request@listserve.sctax.org](mailto:request@listserve.sctax.org).)

## **VIII. For More Information**

For answers to questions concerning the GEAR program contact:

SOUTH CAROLINA DEPARTMENT OF REVENUE

s/Elizabeth Carpentier  
Director (2000-2004)

March 18, 2013  
Columbia, South Carolina

**GOVERNMENTAL ENTERPRISE ACCOUNTS RECEIVABLE  
COLLECTIONS - GEAR**

This notice certifies that the following claimant agency will participate in **GEAR Collections Program** for the calendar year \_\_\_\_\_. Claims will not be processed without the filing of this information by August 31 of the current year.

AGENCY ID: \_\_\_\_\_

AGENCY NAME: \_\_\_\_\_

MAILING ADDRESS: \_\_\_\_\_

STREET ADDRESS: \_\_\_\_\_  
(IF DIFFERENT)

CITY/STATE/ZIP CODE: \_\_\_\_\_

TELEPHONE: \_\_\_\_\_

GEAR COORDINATOR: \_\_\_\_\_

Estimated Number of Accounts to be submitted: \_\_\_\_\_

Estimated Amount of Accounts to be submitted: \$ \_\_\_\_\_

SELECT THE APPROPRIATE METHOD FOR RECEIVING PAYMENTS:

☐ CHECK

☐ TRANSFER - State Agencies only – (Complete the distribution fields below)

Trans Code \_\_\_\_\_ Agency Number \_\_\_\_\_ Mini Code \_\_\_\_\_

Sub Fund Code \_\_\_\_\_ Object Code \_\_\_\_\_

(Continued on back)



LETTER OF AUTHORIZATION IS ATTACHED: \_\_\_\_YES \_\_\_\_NO  
(If no, please indicate your reasons why as a new letter must be submitted yearly)

PRIMARY MEDIA FOR SUBMITTING DEBTOR CLAIMS (CHECK ONE ONLY):

CD ROM: \_\_\_\_\_ DISKETTE: \_\_\_\_\_ FILE TRANSFER: \_\_\_\_\_

Check here if you wish the department to furnish you a program to create a diskette: \_\_\_\_\_  
(Format and instructions will be furnished)

FURNISH A DESCRIPTION OF TYPE OF DEBT (e.g. hospital bills, etc):  
\_\_\_\_\_

**A HEARING OFFICER must be appointed to hear a protest of a debtor.**

Hearing Officer: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone number: \_\_\_\_\_

**Entity/Agency agrees to indemnify the Department of any and all damages, claims, or causes of action including all cost and attorney's fees arising from the Department's collecting or attempting to collect the liability submitted by Entity/Agency or from the Department's performance of the agreement.**

\_\_\_\_\_  
Signature of GEAR Coordinator

\_\_\_\_\_  
Date

EMAIL ADDRESS FOR GEAR COORDINATOR: \_\_\_\_\_

Submit this form POSTMARKED NO LATER THAN AUGUST 31 to:

**South Carolina Department of Revenue  
Doris Mosley, GEAR Coordinator or  
Pamela Johnson, GEAR Coordinator  
Columbia, South Carolina 29214-0215**

**APPLICATION WILL BE RETURNED IF NOT COMPLETE**

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State of South Carolina  
Department of Revenue  
300A Outlet Pointe Blvd, P. O. Box 125, Columbia, South Carolina 29214

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## GEAR APPLICATION INSTRUCTIONS

A GEAR application is required for registering an entity/ agency as a participant in the GEAR Collections Program. The purpose of this form is to obtain the name and mailing address of the entity/agency, the name of the GEAR Debt Coordinator, the name and address of the Hearing Officer, and information regarding the method of payment. The Department of Revenue ("department") will work through the GEAR Debt Coordinator as the official contact with the entity/agency. All listings, notices, letters, and forms processed by the department will be submitted to the specified GEAR Debt Coordinator.

All entities must submit a GEAR application each year for collection services to be performed for the following calendar year. The application must be postmarked no later than August 31 of the current calendar year. The department is to be notified of any changes to the information appearing on GEAR application.

**AGENCY ID #-**This is the code used to identify your agency. State agencies may use a vendor code followed by zeros or federal identification number. Educational institutions/non-state agencies should use the federal identification number. **The Agency ID# must be used on all correspondence submitted to the department.**

**AGENCY NAME** - Write your entity/claimant agency's name.

**MAILING ADDRESS-** Furnish the complete mailing address of your agency.

**STREET ADDRESS** -Furnish the complete street address of your agency if different.

**TELEPHONE NUMBER-** List the telephone number of the GEAR Debt Coordinator.

**DEBT COORDINATOR NAME** - Identity the individual appointed by your agency or educational institution as the official GEAR Debt Coordinator.

**ESTIMATED NUMBER AND DOLLAR AMOUNT OF NEW DEBTS-** Furnish an estimate of the number of new accounts and estimate of the dollar amount to be forwarded for possible collection.



**SELECT THE APPROPRIATE METHOD FOR RECEIVING PAYMENTS** - Check the type of payment method your agency will use to receive funds from the GEAR program.

**Check-** Remittances will be made periodically as the amounts collected are processed.

**Transfers -** (This section is to be completed by state agencies and state supported Colleges/Universities only.) Funds for state agencies and state supported colleges and institutions may be deposited into a single account. Please furnish the codes using STAR codes. Check with your accounting department or the Comptroller General's Office if you are not sure of this information. It is very important that this information is correct.

**LETTER OF AUTHORIZATION-** Entities/Agencies must submit to the Department a letter of authorization from the entity/agency head that includes the name, title, and sample signature of the person(s) authorized to make requests for service. **This letter must be submitted yearly with each new application.**

**PRIMARY MEDIA FOR SUBMITTING DEBTOR CLAIMS** - Indicate the method in which your claims will be submitted.

**CD ROM** - Claims will be submitted using CD Rom.

**DISKETTE-** Claims will be submitted using diskette. (If you need the department to furnish a program to create a diskette, be sure to indicate in the space provided).

**FILE TRANSFER-** Claims will be submitted electronically to the department's GEAR Coordinator. \*\*File Transfer is the preferred method\*\*

Formats for submitting your claims will be made available.

**FURNISH A BRIEF DESCRIPTION OF THE DEBTS THAT WILL BE SUBMITTED** - E.g. student loans, child support, hospital bills, etc.

**HEARING OFFICER** - Name of appointed hearing officer to hear a protest of a debtor.

**HEARING OFFICER'S ADDRESS** -Address for protest to be mailed.

**HEARING OFFICER'S TELEPHONE NUMBER**-Hearing Officers' telephone number.

**TRANSMITTAL OF THE FORM-** The application must be completed, signed, dated, and submitted to the department. (An application form must be submitted each year.)

**NOTE:** If any changes occur to the information listed on the application form during the year, please notify the department.



SC DEPARTMENT OF REVENUE  
PO BOX 125  
COLUMBIA, SC 29214

DEBT SETOFF COLLECTION PROGRAM  
MEDIA REQUEST FORM

Entity/Agency: \_\_\_\_\_

Entity/Agency ID#: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Agency Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Telephone Number: \_\_\_\_\_

Purpose of Data: ☐ Adds ☐ Updates

Type of Media Submitted: ☐ PC Diskette (Select #1 or #2) or ☐ FT Server

1. ☐ Dept of Revenue PC Diskette Program
2. ☐ What Application Software & Version Used? \_\_\_\_\_

\_\_\_\_\_ CD ROM

Number of Records with Debt Data:  Amount of Debt Data:

Data Format: ☐ ASCII ☐ EBCDIC

Comments: \_\_\_\_\_

CERTIFICATION STATEMENT: I hereby certify that this organization has complied with the requirements of South Carolina Code Section 12-56-60, and that with respect to each liability submitted to the Department for collection under this program that it has adopted and followed the due process procedures contained in Sections 12-56-62, 12-56-63(A), 12-56-65, 12-56-67 and 12-56-70, with the additional language in the notice letter which was specified by the Department and that the information is, to the best of my knowledge and belief, true, correct, and complete.

\_\_\_\_\_  
SIGNATURE OF AUTHORIZED PERSON

\_\_\_\_\_  
DELIVERED TO SCDOR

*SC Department of Revenue, Doris Mosley GEAR Coordinator, FAX: (803) 737-5928; Pamela Johnson, GEAR Coordinator, FAX: (803) 737-5925*



## GEAR IMPLEMENTATION PROCEDURES

1. Entity submitting debts must execute a GEAR contract with the Department.
2. A GEAR application form must be submitted by the Entity/Agency no later than a date determined by the Department. The application includes an estimate of the number of debts and an estimate of the total dollar amount of debts to be submitted. Estimates are provided solely for the purpose of assisting the Department in scheduling of resources. (See Page 15)
3. Before debt may be submitted in GEAR the Entity/Agency must notify the debtor of its intention to submit the debt for collection no less than thirty (30) days before the request is submitted to the Department pursuant to SC Code Section 12-56-60(A) and contain the language set forth in SC Code Section 12-56-62 with such additional language as set forth in Schedule A of the contract.
4. Debts must be submitted to the GEAR program annually; thereby, debtors must be noticed, as stated in #3 above, prior to submitting debts. Multiple debts may be submitted with the same Social Security number but the date of default must be different.
5. Upon receipt of a notice of protest, the Entity/Agency shall immediately notify the Department that a protest has been received pursuant to SC Code Section 12-56-65 (B). Entity must provide notification on document prescribed by Department. (See Page 36)
6. Department must be notified on prescribed document of Certification of Hearings of each Entity/Agency submitting debts pursuant to SC Code Section 12-56-65(B). (See Page 25)
7. Submission of debts on diskette in required format must be received by the Department no later than a date determined by the Department.  
  
Adds - Debts being submitted to GEAR for the first time.
8. Submission of debt diskettes are to include a label with the Entity/Agency name, identification number, diskette creation date, and clearly marked appropriately as "SCDOR.GEARADD.PC." A Certification on a document prescribed by the Department must accompany each diskette. (See page 41)

9. Between September 1 and September 30 of each year, the Department will create an inventory report for each Entity/Agency. The inventory report will provide the following:

Debts presently enrolled in the GEAR program for which active and /or no active collection action (e.g. levy, payment plan, etc.) has been taken.

**\*\*REMINDER:** Updates are required throughout the year regardless of debt status (active collection status vs. no active collection status).

10. Debt files/diskettes submitted timely and in the required format at the end of a calendar year, will be loaded prior to setoffs in the following calendar year. All other debt files/diskettes will be loaded into the Department GEAR system soon after submission.
11. Any payment received by Entity/Agency for liability(s) submitted to the Department must be made **payable to SC Department of Revenue** and forwarded to the Department with document prescribed by the Department. (See Page 45)
12. After the Department loads debts into the GEAR System, the Department will generate a letter to the debtor notifying that the debt has been placed with the Department for collection. The debtors will be instructed to notify the Entity/Agency of any debt issues and to contact the Department for payment Issues.
13. Accounts not resolved (e.g. payments, withdrawals, etc.) within approximately 45 days will convert to second stage. All accounts with levy sources which have not paid in full or made arrangements to pay, may be levied. Updated balance notices are mailed to debtors after each payment is posted with the Department.
14. Balance updates must be submitted on a separate diskette in the required format. Balance updates are balance reductions and withdrawals, made by the entity/agency. When the Department intercepts a refund in Debt Setoff or processes a payment from the debtor, the liability owed is automatically reduced; therefore, these records should not be sent as an update. **\*\*REMINDER:** Updates are required throughout the year regardless of debt status (active collection status vs. no active collection status).
15. Debt balances for an Entity/Agency may be increased for statutory interest only after submission. Debt balances may not be increased for any other reason.
16. Balance Update diskettes must include a label with the Entity/Agency name, identification number, diskette creation date, and clearly marked "SCDOR.GEARUPDATE.PC."



17. Entity/Agency will immediately notify the Department on a form prescribed by the Department in any case where a debtor becomes the subject of a bankruptcy. Upon receipt of notification, the Department will withdraw the account from GEAR. (See Page 44)
18. Entity/Agency must withdraw accounts prior to expiration of statute of limitations for collection as determined by the attorney for the Entity/Agency. If the Entity/Agency has no defined statute of limitations, it must use three (3) years from date debt was incurred.
19. The general priority scheme of claims asserted against individual income tax refunds is set forth in S.C. Code Section 12-56-70. Within class five, Section 12-56-70(5) claims to individual income tax refunds will be prioritized by the date of receipt of the "Application for Participation."
20. Payment reports listing payments for all Entities/Agencies submitting debts will be created and sent to Entity/Agency. Department will create two (2) separate reports listing collections through Debt Setoff and those through other collection actions. Checks for payments, less the Department fees, will be sent with the reports on a monthly basis.
21. **If** accounts are not collected within two (2) years from date of placement, the Entity/Agency submitting debts may request the return of accounts. Department, at its own discretion, may return the accounts to the Entity/Agency or continue collection efforts until such time they determine that all collection efforts have been exhausted.
22. **If** an account balance becomes less than \$14.99, with no collection activity, accounts will be returned to Entity.
23. After a Notice of Protest and the Certification of the Hearing is received, the Department will continue to cease collection action to allow an Appeal of the Decision of the Hearing Officer. Collection action will resume after ample time for an appeal has been given.
24. If an Appeal of the Hearing Officer's decision is received, the Department will return the account to the Entity. Entity must provide notification on a document prescribed by the Department. (See Page 27)
25. Minimum debt to be placed with the Department is \$50.
26. Debts under a collection agreement with another agency (e.g. collection agency) cannot be placed with the Department for GEAR.

## CHAPTER 56

### SETOFF DEBT COLLECTION ACT

#### SECTION 12-56-10. Short title.

This chapter may be cited as the "Setoff Debt Collection Act". HISTORY: 1995 Act No. 76, Section 5.

#### SECTION 12-56-20. Definitions.

As used in this chapter:

(1) "Claimant agency" means a state agency, board, committee, commission, public institution of higher learning, political subdivision, or other governmental or quasi-governmental entity of any state or the United States. It includes the South Carolina Student Loan Corporation, housing authorities established pursuant to Articles 5, 7, and 9 of Chapter 3 of Title 31 and the Internal Revenue Service, and the United States Department of Education. It also includes a private institution of higher learning for the purpose of collecting debts related to default on authorized educational loans made pursuant to Chapter 111, 113, or 115 of Title 59. "Political subdivision" includes the Municipal Association of South Carolina and the South Carolina Association of Counties when these organizations submit claims on behalf of a county or local governmental or quasi-governmental entity. A political subdivision who submits a claim through an association is a claimant agency for the purpose of the notice and appeal provisions and other requirements of this chapter.

(2) "Department" means the South Carolina Department of Revenue.

(3) "Debtor" means a person having a delinquent debt or account with a claimant agency which has not been adjusted, satisfied, or set aside by court order, or discharged in bankruptcy.

(4) "Delinquent debt" means a sum due and owing a claimant agency, including collection costs, court costs, fines, penalties, and interest which have accrued through contract, subrogation, tort, operation of law, or other legal theory regardless of whether there is an outstanding judgment for that sum which is legally collectible and for which a collection effort has been or is being made. It does not include sums owed to county hospitals when the hospital and the debtor have entered into a written payment agreement and the debtor is current in meeting the obligations of the agreement. "Delinquent debt" also includes any fine, penalty, cost, fee, assessment, surcharge, service charge, restitution, or other amount imposed by a court or as a direct consequence of a final court order which is received by or payable to the clerk of the appropriate court or treasurer of the entity where the court is located.

(5) "Refund" means any individual or corporate South Carolina income tax refund payable. This term also includes a refund belonging to a debtor resulting from the filing of a joint income tax return.

HISTORY: 1995 Act No. 76, Section 5; 1996 Act No. 347, Section 1; 1996 Act No. 395, Section 1; 1998 Act No. 419, Part II, Section 55A; 1999 Act No. 114; 1999 Act No. 114, Section 4Q; 1999 Act No. 114, Section 4R; 2001 Act No. 89, Section 60A, eff July 20, 2001; 2002 Act No. 334, Section 9, eff June 24, 2002; 2003 Act No. 69, Section 3.KK.2, eff June 18, 2003.

**SECTION 12-56-30.** Collection of debt; information to be given by claimant agency; information to be given by department to claimant agency.

(A) The collection remedy under this chapter is in addition to any other remedy available by law.

(B) Claimant agencies may submit for collection under the procedure established by this chapter all delinquent debts which they are owed.

(C) All claimant agencies, whenever possible, shall obtain the full name, social security number, address, and any other identifying information, required by regulations promulgated by the department for implementation of this chapter, from any person for whom the agencies provide any service or transact any business and who the claimant agencies can foresee may become a debtor under the terms of this chapter.



(D) Upon request from a claimant agency, the department shall furnish the claimant agency the home address, corrected Social Security number or additional Social Security number of any taxpayer whose name has been submitted to the department for collection of a delinquent debt.

HISTORY: 1995 Act No. 76, Section 5.

**SECTION 12-56-40.** Choice of claimant agency as to use of or participation in setoff program.

If the claimant agency determines that the administrative cost of utilizing this chapter is prohibitive, it may choose not to participate in the setoff program, or it may choose to participate only in cases of delinquent debts above an amount it determines appropriate.

HISTORY: 1995 Act No. 76, Section 5.

**SECTION 12-56-50.** Department to assist in collection of account or debt by setoff of any refunds due to debtor.

Subject to the limitations contained in this chapter, the department, upon request, shall render assistance in the collection of any delinquent account or debt owing to any claimant agency by setting off any refunds due the debtor from the department by the sum certified by the claimant agency as delinquent debt.

HISTORY: 1995 Act No. 76, Section 5.

**SECTION 12-56-60.** Notification by claimant agency; refund determinations; department liability.

(A) A claimant agency seeking to attempt collection of a delinquent debt through setoff shall notify the department in writing and supply information the department determines necessary to identify the debtor whose refund is sought to be set off. A request for setoff may be made only after the claimant agency has notified the debtor of its intention to cause the debtor's refund to be set off not less than thirty days before the claimant agency's request to the department. The claimant agency promptly shall notify the debtor when the liability out of which the setoff arises is satisfied. The claimant agency promptly shall notify the department of a reduction in the delinquent debt.

(B) Upon receiving the certification of the claimant agency of the amount of the delinquent debt, the department shall determine if the debtor is due a refund. If the debtor is due a refund of more than a tolerance amount as determined by the department, the department shall set off the delinquent debt against the amount of the refund. The department may retain an amount not to exceed twenty-five dollars of each refund set off to defray its administrative expenses, and that amount may be added to the debt. Apportionment is not required in the case of a refund resulting from filing a joint return. A person has no property right or property interest in a refund until all amounts due the State and claimant agencies are paid. The department shall consider a delinquent debt and debtor list provided by a claimant agency as correct and the department is not liable for a wrongful or improper setoff.

HISTORY: 1995 Act No. 76, Section 5; 1999 Act No. 114, Section 3; 2003 Act No. 69, Section 3. KK.3, eff June 18, 2003.

**SECTION 12-56-62.** Notice of intention to set off debt; form, delivery and presumption.

The notice of intention to set off must be given by mailing the notice, with postage prepaid, and addressed to the debtor at the address provided to the claimant agency when the debt was incurred or at the debtor's last known address. The giving of the notice by mail is complete upon the expiration of thirty days after deposit of the notice in the mail. A certification by the claimant agency that the notice has been sent is presumptive proof that the requirements as to notice are met, even if the notice actually has not been received by the debtor. The notice must include a statement of appeal procedures available to the debtor, substantially as follows:

"According to our records, you owe the (claimant agency) a debt in the amount of (amount of the debt), plus interest, if applicable, for (type of debt). You are hereby notified of the (claimant agency's) submit this debt to the South Carolina Department of Revenue to be set off against your individual income tax refunds until the debt is paid in full. Pursuant to the Setoff Debt Collection Act, this amount, plus all costs, will be deducted from your South Carolina individual income tax refunds unless you file a written protest within thirty days of the date of this notice. If you file a joint return with your spouse,

this amount will be deducted from the total joint refunds without regard to which spouse incurred the debt or actually withheld the taxes. The protest must contain the following information:

- (1) Your name
- (2) Your address;
- (3) Your social security number;
- (4) The type of debt in dispute; and
- (5) A detailed statement of all the reasons you disagree with or dispute the debt.

The original written protest must be mailed to the (claimant agency) at the following address: (address of the entity requesting the setoff)".

HISTORY: 1999 Act No. 114, Section 3; 2003 Act No. 69, Section 3.KK.4. off June 18, 2003. SECTION 12-56-63. Protest procedure; administrative fees.

(A) A debtor who protests the debt shall file a written protest with the claimant agency at the address provided in the claimant agency's notification of intention to set off. The protest must be filed within thirty days of the date of the notice of intention to set off and must contain the debtor's name, address, and tax identification number, identify the type of debt in dispute, and give a detailed statement of all the reasons that support the protest. The requirements of this section are jurisdictional.

(B) To recover costs incurred by the Municipal Association of South Carolina and the South Carolina Association of Counties for submitting a debt pursuant to this chapter and Section 12-4-580 to the department for collection, the association may charge an administrative fee, not to exceed twenty-five dollars, that must be added to the debt. An association is exempt from the notice and appeal procedures of this chapter. The entity that has submitted its claim through the association is responsible for the notice and hearing requirements of this chapter.

HISTORY: 1999 Act No. 114, Section 3; 2003 Act No. 69, Section 3.KK.5, eff June 18, 2003.

**SECTION 12-56-65.** Protest and contested case hearings; refunds: erroneous retention or set off; time limit.

(A) Before submitting a debt to the department, the claimant agency shall appoint a hearing officer to hear a protest of a debtor. This hearing officer is vested with the authority to decide a protest in favor of either the debtor or the claimant agency. The claimant agency shall certify to the department, on a form prescribed by the department, that a hearing officer has been appointed and shall inform the department of the name, address, and telephone number of the hearing officer. If this hearing officer is unable to serve at any time, the claimant agency shall appoint another hearing officer.

(B) Upon receipt of a notice of protest, the claimant agency shall notify the department that a protest has been received and shall hold an informal hearing at which the debtor may present evidence, documents, and testimony to dispute the debt. The claimant agency shall notify the debtor of the date, time, and location of the informal hearing. At the conclusion of the informal hearing, the hearing officer shall render his determination. Upon receipt of a sworn certification from the hearing officer that he held an informal hearing and ruled in favor of the claimant agency, the department may proceed to collect the delinquent debt regardless of a subsequent appeal by the debtor.

(C) A debtor may seek relief from the hearing officer's determination by requesting, within thirty days of the determination, a contested case hearing before the Administrative Law Judge Division. A request for a hearing before the Administrative Law Judge Division must be made in accordance with its rules.

(D) If a portion of the delinquent debt is collected by the department and the determination of the hearing officer in favor of the claimant agency is later reversed or the debtor prevails in a claim for refund, the claimant agency shall refund the appropriate amount to the taxpayer, including the appropriate amount of the fee. That portion of the refund reflecting the department's fee must be paid from claimant agency funds. If the claimant agency is found to be entitled to a portion of an amount collected by set off, it is not required to refund the setoff fee retained by the department.



(E) If a refund is retained in error, the claimant agency shall pay to the taxpayer interest calculated as provided in Section 12-54-20 from the date provided by law after which interest is paid on refunds until the appeal is final, except that interest does not accrue when the claimant agency is the Office of Child Support Services of the South Carolina Department of Social Services.

(F) If the claimant agency determines that money has been erroneously or illegally collected, the claimant agency, in its discretion, may issue a refund, even if the debtor does not file a protest or file a claim for refund.

(G) A collection may not be contested more than one year after the date it was made. The date of collection must be conclusively determined by the department. This provision must be construed as a statute of repose and not as a statute of limitation.

(H) A debtor may make a claim for refund of an amount collected pursuant to this chapter within one year from the date the amount is collected, in the same manner as seeking relief from a hearing officer's determination pursuant to Section 12-56-65 or 12-56-67.

HISTORY: 1999 Act No. 114, Section 3; 2003 Act No. 69, Section 3.KK.6, eff June 18, 2003. SECTION 12-56-67. Jury trial rights.

This section does not create a right to jury trial where one does not already exist. Where a debtor otherwise is entitled to have a jury determine the issue of indebtedness, that right is preserved specifically. If a right to a jury trial already exists and the debtor wishes to exercise that right, the debtor is not required to request a contested case hearing before the Administrative Law Judge Division but instead must file a summons and complaint in the Court of Common Pleas and serve the pleadings on the claimant agency within thirty days from the date of the hearing officer's determination. The summons and complaint must name the claimant agency as a defendant and the allegations of the complaint must contest the debt and any potential setoff.

HISTORY: 1999 Act No. 114, Section 3.

**SECTION 12-56-70.** Priority of claims to refund. Claims to refunds allowed to be set off under this article must be made by a claimant agency filing a written notice with the department of its intention to effect collection through setoff under this article. The following is the order of priority for multiple claims filed:

- (1) claims of the Department of Revenue;
- (2) Claims of the Division of Child Support Enforcement of the State Department of Social Services; (3) other claims of the State Department of Social Services and other state agencies;
- (4) claims of the Internal Revenue Service and claims filed by institutions of higher learning; (5) claims of other agencies not given a specific priority.

Priority within a class in which multiple claims are filed is the order in time in which the claimant agencies filed the written notice with the department of the intention to effect collection through setoff under this article.

HISTORY: 1995 Act No. 76, Section 5.

**SECTION 12-56-80.** Proceeds collected transmitted to agency; accounting provided by department to agency; credit to debtor's obligation by agency; notification of agency to debtor of setoff.

(A) Simultaneously with the transmittal of proceeds collected to a claimant agency, the department shall provide the agency with an accounting, which, whenever possible, must include the full names of the debtors and the debtors' social security numbers. No federal tax return information may be divulged by the department under any circumstances.

(B) Upon receipt by a claimant agency of proceeds collected on its behalf by the department and an accounting thereof as specified under this section, the agency shall credit the debtor's obligation and shall notify the debtor in writing of the amount of the setoff.

HISTORY: 1995 Act No. 76, Section 5.

**SECTION 12-56-90.** Information from department to be used only by agency for collection purposes; penalties for disclosure.

(A) The exchange of information among the department, claimant agency, and the debtor pursuant to this chapter is lawful.

(B) The information obtained by a claimant agency from the department in accordance with the exemption allowed by subsection (A) may be used by the agency only in the pursuit of its debt collection duties and practices. A person employed by or formerly employed by the agency who discloses the information for another purpose is subject to the penalties provided in Section 12-54-240.

HISTORY: 1995 Act No. 76, Section 5; 1998 Act No. 432, Section 16.

**SECTION 12-56-100.** Indemnification of department by agency.

Claimant agencies shall indemnify the department against any injuries, actions, liabilities, or proceedings arising from performance under the provisions of this chapter.

HISTORY: 1995 Act No. 76, Section 5; 1999 Act No. 114, Section 3.

**SECTION 12-56-120.** Department and Internal Revenue Service exempt from notice and appeal procedures; other procedures as exclusive remedy.

The department and Internal Revenue Service are exempt from the notice and appeal procedures of this chapter. The sole and exclusive appeal procedure for the setoff of a debt owed to the department is governed by the provisions of Chapter 60 of Title 12. The appeal procedure in connection with a liability to the Internal Revenue Service is governed by Title 26 of the United States Code.

HISTORY: 1999 Act No. 114, Section 3; 2001 Act No. 89, Section 38, eff July 20, 2001



S.C. CODE OF LAWS

**SECTION 12-4-580.** Authority allowing department to contract to collect outstanding liabilities.

(A) The department and another governmental entity may contract to allow the department to collect an outstanding liability owed the governmental entity. In administering the provisions of those agreements, the department has all the rights and powers of collection provided pursuant to this title for the collection of taxes and all the rights and powers authorized the governmental entity to which the liability is owed.

(B) The department may charge and retain a reasonable fee for a collection effort made on behalf of a governmental entity. The amount of the fee must be negotiated between the governmental entity and the department. The debtor must be given full credit toward the satisfaction of the debt for the amount of the fee collected by the department pursuant to this section.

(C) Governmental entities that contract with the department pursuant to this section and those entities whose debts are submitted for collection through an association shall indemnify the department against injuries, actions, liabilities, or proceedings arising from the collection or attempted collection by the department of the liability owed to the governmental entity.

(D) As used in this section:

(1) "Governmental entity" means the State and a state agency, board, committee, department, or public institution of higher learning; all political subdivisions of the State; all federal agencies, boards, and commissions; and a federal, state, county, or local governmental or quasi-governmental entity. "Political subdivision" includes the Municipal Association of South Carolina and the South Carolina Association of Counties when these organizations submit claims on behalf of a county or local governmental or quasi-governmental entity.

(2) "Liabilities owed the governmental entity" has the same meaning as a "delinquent debt" as defined in Section 12-56-20(4).

(E) The governmental entity shall notify the debtor of its intention to submit the liability to the department for collection and of the debtor's right to protest not less than thirty days before the liability is submitted to the department for collection. The notice, hearing, appeals, and other provisions contained in Section 12-56-50 through 12-56-120 apply to this section with additional language in the notice letter as specified by the department.

# NOTICE AND APPEAL REQUIREMENTS

## FOR THE GOVERNMENTAL ENTERPRISE ACCOUNTS RECEIVABLE COLLECTIONS PROGRAM

The Setoff Debt Collection Act imposes strict requirements as to the notice and appeal procedures.

1. The Act specifies the language of the notice letter that **MUST** be followed verbatim.
2. The Act now eliminates the certified mailing requirements and allows the notice to be sent by regular mail.
3. The notice may be mailed to the address the debtor provided to you at the time the debt was incurred or to the debtor's last known address.
4. The certification that the notice has been sent is presumptive proof that the requirements as to notice have been met.
5. The Act requires the debtor's Notice of Protest to be in writing and sent to an address that you specify in your notice letter to the debtor.
6. The debtor's Notice of Protest must contain the debtor's name, address, social security number, the type of debt in dispute, and a detailed statement of the reasons the debtor disputes the debt.
7. The requirements of the debtor's Notice of Protest are jurisdictional. This means they must be followed by the debtor. Failure to follow them is grounds to dismiss the debtor's Protest.
8. The Act requires you to appoint a **HEARING OFFICER** to hear debtor protest.
9. The Act requires you to notify the Department of the name, address, and telephone number of the **HEARING OFFICER**.
10. The Act vests the **HEARING OFFICER** with the power to decide debtor protest in favor of either the debtor or the claimant agency.
11. If a Notice of Protest is received by a debtor, the Act requires; (i) you to immediately notify the Department of the protest on a form prescribed by the Department; (ii) you to notify the debtor of the date, time, and location of the informal hearing using the address provided by the debtor in his notice of protest; (iii) the **HEARING OFFICE**



conducts an informal hearing at which the debtor shall be allowed to present evidence, documents, and testimony as to why the debt is not due, and (iv) if the protest is decided in favor of the claimant agency, the Act requires the **HEARING OFFICE** to certify such to the Department before any setoff will be made by the Department.

12. The Act specifically provides for appeals from the Hearing Office's decision, but allows the setoff to be made in the meantime. If the debtor is entitled to a jury trial and wishes to exercise that right, he must file and serve a lawsuit within thirty days of the date the Hearing Office's decision was rendered. Otherwise, the debtor must request a contested case hearing before the Administrative Law Judge Division in accordance with its rules.
13. If the appeal from the Hearing Office's decision is later decided in favor of the debtor, you will be required to refund the appropriate amount to the debtor plus interest. If the claimant agency is found to be entitled to no part of the amount set off, you must refund the entire amount set off on your behalf, including the administrative fee retained by the Department plus interest calculated as provided in Section 12-54-20. However, if you are found to be entitled to any portion of the amount set off, you are not required to refund the administrative fee retained by the Department, and only must refund the appropriate amount plus interest calculated as provided in Section 12-54-20.

The Department has enclosed five forms. Most of the content of the **first three forms is mandated by statute**. While the last two forms are not mandatory, it is strongly suggested that you use either these forms or ones that are substantially similar. The forms are as follows:

1. Notice Letter to Debtor.
2. Notice to the Department of Protest by Debtor.
3. Certification of Hearing.
4. Decision of the Hearing Office.
5. Appeal of Decision of the Hearing Office.

The Department recommends that every decision of the Hearing Office be in writing and be delivered to the debtor, along with instructions on how to appeal the decision of the Hearing Office. Forms four and five above have been provided for this purpose.

*It is highly recommended that you consult with your attorney if you have any questions about the GEAR Collections Program and the protest and appeal procedures.*

# NOTICE TO THE DEPARTMENT OF PROTEST BY DEBTOR

**PLEASE BE ADVISED THE ACT REQUIRES THAT  
YOU MUST IMMEDIATELY NOTIFY THE  
DEPARTMENT (ON A FORM PRESCRIBED BY THE  
DEPARTMENT) IF THE DEBTOR FILES A  
WRITTEN PROTEST. THE INFORMATION WHICH  
MUST BE SUBMITTED TO THE DEPARTMENT IS  
AS FOLLOWS:**

Claimant Agency: \_\_\_\_\_ Agency ID# \_\_\_\_\_  
Debtor Name: \_\_\_\_\_  
Debtor SSN: \_\_\_\_\_  
Orig. Debt Amount: \_\_\_\_\_

The above debtor has filed a notice of protest with the undersigned claimant agency.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

Date: \_\_\_\_\_

Mail To: SC Dept of Revenue  
Attn: Doris Mosley/Pamela Johnson  
Protest: GEAR  
PO Box 125  
Columbia SC 29214



## CERTIFICATION OF HEARING

**PLEASE BE ADVISED THE ACT REQUIRES THAT  
ONCE A PROTEST HAS BEEN FILED BY A DEBTOR,  
NO SETOFF CAN BE MADE UNLESS AND UNTIL THE  
HEARING OFFICER CERTIFIES TO THE  
DEPARTMENT (ON A FORM PRESCRIBED BY THE  
DEPARTMENT) THAT HE HAS CONDUCTED A  
HEARING AND RULED IN FAVOR OF THE CLAIMANT  
AGENCY. THE FORM WHICH MUST BE SUBMITTED  
TO THE DEPARTMENT IS AS FOLLOWS:**

Claimant Agency: \_\_\_\_\_ Agency ID#: \_\_\_\_\_  
Debtor Name: \_\_\_\_\_ Hearing Date \_\_\_\_\_  
Debtor SSN: \_\_\_\_\_  
Orig. Debt Amount: \_\_\_\_\_

I certify that I have conducted a hearing in the above matter, in accordance with SC Code Section 12-56-65, and have ruled in favor of the claimant agency. I further certify that:

- \_\_\_ The amount of the debt originally submitted has not changed.
- \_\_\_ The amount of the debt has been REDUCED and the new amount is \_\_\_\_\_
- \_\_\_ The debtor did not appear for the hearing; therefore, the amount of the debt originally submitted is correct.

\_\_\_\_\_  
Signature of Hearing Officer

\_\_\_\_\_  
(Print name of Hearing Officer)

SWORN to before me this \_\_\_\_\_  
Day of \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
Notary public for South Carolina  
My commission expires: \_\_\_\_\_

Mail form to SC Dept of Revenue, Attn: Doris Mosley/Pamela Johnson, Protest: GEAR, PO Box 125, Columbia SC 29214.

## Decision of the Hearing Officer

Entity/Claimant Agency: \_\_\_\_\_ Agency ID#: \_\_\_\_\_  
Debtor Name: \_\_\_\_\_ Informal Hearing Date: \_\_\_\_\_  
Debtor SSN/FEI: \_\_\_\_\_  
Original Debt Amt: \_\_\_\_\_  
Orig. Submission Date: \_\_\_\_\_

This matter came before me for informal hearing pursuant to S.C. Code Section 12-56-65. I find that:

- \_\_\_ No amount is due from the debtor.
- \_\_\_ The amount of the debt originally submitted through the Debt Setoff Collection Act should be REDUCED and the proper amount due is \_\_\_\_\_.
- \_\_\_ The amount of the debt originally submitted through the Debt Setoff Collection Act is correct and is rightfully due from the above debtor.
- \_\_\_ The debtor did not appear for the hearing; therefore, the amount of the debt originally submitted is correct.

The specific reasons for my rulings are as follows:

\_\_\_\_\_  
Signature of Hearing Officer

\_\_\_\_\_  
Print name of Hearing Officer

**THIS FORM CAN BE GIVEN TO THE DEBTOR AND A COPY KEPT FOR YOUR RECORDS. IT IS NOT NECESSARY TO SEND THIS FORM TO THE DEPARTMENT OF REVENUE.**



# Appeal of Decision of the Hearing Officer

If you are dissatisfied with the decision of the Hearing Officer, you have a right to appeal.

## **Administrative Appeal**

You may appeal the decision of the Hearing Officer by requesting a contested case hearing before the Administrative Law Judge Division. The request must be made in writing within thirty days of the date the Hearing rendered his decision and must be made in accordance with the rules of the Administrative Law Judge Division. Pursuant to S.C. Code Ann. Section 12-56-65, the appeal will not stop a setoff of your tax refund from occurring. If you are successful on appeal, you will receive a refund of the appropriate amount. However, if any portion of the debt is found to be due, you will not receive a refund of the administrative fee retained by the S.C. Department of Revenue.

## **Jury Trial**

The Setoff Debt Collection Act does not create a right to a jury trial where one does not already exist. However, depending on the type of debt, other laws of South Carolina may entitle you to demand to have a jury determine the issue of indebtedness. In cases where a right to jury trial already exists and you wish to exercise that right, you will not be required to request a contested case hearing before the Administrative Law Judge Division, but instead, must file a summons and complaint in the Court of Common Pleas and serve the same on the claimant agency within thirty days from the date the Hearing Officer's decision was rendered. The summons and complaint must name the claimant agency as a defendant and the allegations of the complaint must contest the debt and any potential setoff. Pursuant to S.C. Code Ann. Section 12-56-65, the appeal will not stop a setoff of your tax refund from occurring. If you are successful on appeal, you will receive a refund of the appropriate amount. However, if any portion of the debt is found to be due, you will not receive a refund of the administrative fee retained by the S.C. Department of Revenue.

# GEAR

## APPEAL OF DECISION OF HEARING OFFICER

Entity/Claimant Agency: \_\_\_\_\_

Agency ID# \_\_\_\_\_

Debtor Name: \_\_\_\_\_

Debtor SSN/FEI: \_\_\_\_\_

Orig. Debt Amount: \_\_\_\_\_

Orig. Submission Date:

\_\_\_\_\_

Date Hearing Officer's Decision Rendered:

\_\_\_\_\_



## **NOTICE LETTER TO DEBTOR**

**PLEASE BE ADVISED THE ACT SPECIFIES  
THE LANGUAGE OF THE NOTICE WHICH MUST BE  
SUBSTANTIALLY FOLLOWED.**

### **THE LETTER IS AS FOLLOWS:**

According to our records, you owe (the claimant agency) a debt in the amount of (amount of debt), plus accruing interest if applicable, for (type of debt). You are hereby notified of (the claimant agency's) intention to submit or resubmit this debt to the South Carolina Department of Revenue for collection through the Setoff Debt Collection Act and/or Governmental Enterprise Accounts Receivable Collections Program (GEAR) until the debt is paid in full.

The Setoff Debt Collection Act allows the Department of Revenue to deduct, from any refund, this amount plus all costs, including a \$25 administrative fee. If you file a joint return with your spouse, this amount will be deducted from the total joint refund without regard to which spouse incurred the debt or actually withheld the taxes.

The GEAR Program, S.C. Code Section 12-4-580, authorizes the Department of Revenue to utilize all rights and powers of collection allowed it under Title 12 in collection of the above debt. These powers include garnishment of wages, seizure of bank accounts, sales of real or personal property, and the revocation of any license.

The Department will utilize the powers granted under Title 12 of the S.C. Code unless you file a written protest, within thirty (30) days from the date of this notice, with the information contained below:

1. your name;
2. your address;
3. your social security number;
4. the type of debt in dispute; and
5. a detailed statement of all reasons you disagree with the debt amount or dispute that you owe the debt.

The original written protest must be mailed to (the claimant agency) at the following address: (address of entity requesting the setoff)

1350



STATE OF SOUTH CAROLINA  
DEPARTMENT OF REVENUE  
301 Gervais Street, P.O. Box 125, Columbia, South Carolina, 29214

**NOTICE OF ASSESSMENT**

**FS-96**  
(Rev. 2/9/09)  
2118

DATE OF NOTICE:  
FEI/SSN:  
DELINQUENT ACCOUNT FOR:

Receivable Number:

RE:

AMOUNT DUE:

Your delinquent account with the claimant agency referenced above has been referred to the Department of Revenue for collection. South Carolina Code Section 12-4-580 provides the Department authority to collect your account. Failure to pay the full payment amount due within 30 days will result in collection action. Collection action may include seizure of wages, bank accounts and commissions. Any refunds due may be applied to this liability at any time.

---

You are required to report even if you are in bankruptcy proceedings under Title 11 of the United States Code. Any monies due will be sought in accordance with the provisions of Title 11.

---

The Department of Revenue does not have specific account information. Therefore, if you disagree with the amount due, please contact the claimant agency listed above.

If you have any questions regarding payment of this notice, contact the Department of Revenue at (803) 898-5403.

Complete the bottom of the notice as applicable. Detach and return with payment. If you have already paid the amount, provide cancelled checks and supporting documents to the address below.

..... detach here .....

1350

RECEIVABLE NUMBER: ►  
FEI/SSN:

TOTAL AMT DUE:

DELINQUENT ACCOUNT FOR:

DATE: \_\_\_\_\_

AMOUNT ENCLOSED: ► \_\_\_\_\_

21181029

Source: SC Dept. of Revenue





**SOUTH CAROLINA DEPARTMENT OF REVENUE**  
**NOTICE OF ADJUSTMENT For Period**  
**OR PROPOSED ASSESSMENT**

**I-267**  
(Rev. 11/18/05)  
3049

Your South Carolina tax return, Form \_\_\_\_\_ has been corrected as shown below. See reverse side for instructions. **This demand is not applicable if you are currently in bankruptcy. Any monies due will be sought in accordance with the provisions of Title 11.**

Date 07-10-12

613033

M IIII IIT NOA

Document #  
Taxpayer's SSN/FEI  
Spouse's SSN

OFFICE USE

1. SC Taxable Income Shown On Return/Previous Adjustment .....	1.	\$	19,728.00
2. Corrections (See reason(s) below) .....	2.		
3. Corrected Taxable Income .....	3.		19,728.00
4. Corrected Tax _____ Lump Sum Tax _____ Total	4.		913.00
5. Credits (Nonrefundable) .....	5.		
6. Payments: _____ Subtotal			
Withholding _____ Payment with Return _____			
Declaration _____ Payment with Extension _____			
Tuition Tax Credit _____			
	Total Payments	6.	1,200.00
7.		7.	287.00
8. Transferred Est. Tax _____ Previous Overpayment _____			
Outstanding Debts _____	Total Adjustments	8.	
9. Contributions and/or Use Tax		9.	
10. Penalty _____ Declaration Penalty _____	Total Pen.	10.	
11. Interest _____	Total Int.	11.	
12. AMOUNT YOU OWE		12.	\$

OUTSTANDING DEBT: YOUR RETURN HAS BEEN PROCESSED AND A PORTION OR ALL OF YOUR REFUND HAS BEEN APPLIED TO AN OUTSTANDING DEBT WITH THE AGENCY LISTED BELOW. UNDER THE PROVISIONS OF CHAPTER 56 TITLE 12 OF THE SC CODE OF LAWS, THE SC DEPT OF REVENUE MUST APPLY YOUR REFUND TO THE OUTSTANDING DEBT (S). IF YOU HAVE ANY QUESTIONS OR WISH TO APPEAL THE SEIZURE OF YOUR REFUND, CALL OR WRITE THE APROPRIATE AGENCY(S) LISTED BELOW.

A \$25 ADMINISTRATIVE FEE HAS BEEN CHARGED BY SC DEPT OF REVENUE.

AGENCY/INSTITUTION NAME	SSN OF	AMOUNT TRANSFERRED TO
TELEPHONE NUMBER	DEBTOR	AGENCY/INSTITUTION
		\$130.32

SC DEPT OF REVENUE	
300 OUTLET POINTE BLVD	
COLUMBIA, SC 29210	RECEIVABLE
(803) 898-5709	#00000000

**CORRECTION OF RETURN:** Please compare the items of information on the front of this notice with the same information on your copy of your South Carolina tax return. **Figures on this form which differ from those on your copy of your tax return are corrections.**

**REFUND:** If you are due a refund, a check will be mailed to you within (thirty) 30 days of this notice.

**ADDITIONAL AMOUNT DUE:** If you owe an additional amount it must be paid within thirty (30) days of the date of this notice. **Exception:** If you filed a balance due return for the current year, the amount due must be paid by April 15 to avoid penalty and interest.

**APPEAL PROCEDURE:** If you disagree with this adjustment or proposed assessment, you are entitled to appeal the findings under the following procedures.

- A. If you agree with the adjustment, the additional amount due should be paid within 30 days of the date on this proposed assessment to avoid additional interest and penalties, if applicable.
- B. You may agree with portions of the proposed assessment and disagree with others. The portion of the assessment with which you agree may be paid to avoid additional interest and penalty, and the remainder can be appealed.
- C. **If you disagree with part or all of the proposed assessment, you may make an appeal by sending a written protest within 90 days from the date on this proposed assessment.**

Protest forms (C-245) are available by calling (803) 898-5320 or you may visit any SC Department of Revenue office. You may choose to send a letter rather than using the Form C-245. The letter must contain the following information.

- 1. Taxpayer's name (individual, corporation, etc.);
- 2. Taxpayer's identification number (Social Security, Federal Employer Identification, License, etc.);
- 3. Period for which the tax is proposed;
- 4. Type of tax in dispute (individual income, sales, etc.);
- 5. All of the reasons you disagree with the proposed assessment.

If you have any questions, call the telephone number shown on the front of this proposed assessment.

**ATTACH A COPY OF THIS NOTICE TO YOUR PAYMENT AND TO ANY CORRESPONDENCE. THE MAILING ADDRESS IS:**

SC DEPARTMENT OF REVENUE  
NOA  
COLUMBIA, SC 29214-0011

---

**OUTSTANDING DEBTS** (if indicated on front): Under the provisions of 12-56-10 through 12-56-110 and 12-53-20 of the South Carolina Code of Laws, the South Carolina Department of Revenue is authorized to seize refunds otherwise due to taxpayers who have delinquent debts with the South Carolina Department of Revenue, Internal Revenue Service, other government agencies, and public or private institutions of higher learning.

If your refund was seized, the name, address, and telephone number of the agency which requested the seizure are printed on the lower section of the front of this form. **IF YOU HAVE ANY QUESTIONS OR WISH TO APPEAL THE SEIZURE OF YOUR REFUND, WRITE OR CALL THE AGENCY WHICH REQUESTED THE SEIZURE** at the address or telephone number given.

---

#### TAXPAYER'S BILL OF RIGHTS

The Taxpayers' Bill of Rights gives you certain rights when dealing with the South Carolina Department of Revenue. These include the right to:

- 1. File an application for relief with the taxpayer advocate in a situation where you are suffering or are about to suffer a significant hardship as a result of the manner in which the Department of Revenue is administering the tax laws.
- 2. Advance notification that your hearing may be recorded and a copy of that hearing.
- 3. The publication of clear, concise and non-technical statements of taxpayer rights mailed with each notice of audit.
- 4. Have your attorney, accountant or other designated agent present at a hearing.
- 5. The establishment by the Department of Revenue of an appeals process for modifying or releasing liens.
- 6. Bring action against the state for damages suffered because of disregard of Department of Revenue policy by an employee.



## NOTICE TO THE DEPARTMENT OF CERTIFICATION FOR GEAR COLLECTIONS

(Name of Governmental Entity) hereby certifies that each of the debts attached meets the requirements of the definition of "liabilities owed the governmental entity" in South Carolina Code Section 12-4-580(DX2), that all rights of notice and appeal contained in the Setoff Debt Collection Act, South Carolina Code Sections 12-56-10 et seq., have been given each debtor, and that all applicable rights granted by law, regulation, judicial or other order, or administrative procedures have been allowed the debtor and have been exhausted.

\_\_\_\_\_  
Name of Governmental Entity

By: \_\_\_\_\_  
Name and Title

Date: \_\_\_\_\_



STATE OF SOUTH CAROLINA  
DEPARTMENT OF REVENUE

**NOTICE OF LEVY ON WAGES, SALARY**

**AW-127**

(Rev. 7/21/11)  
2045

\*\*\*NEW REVISED LEVY NOTICE  
ADDITIONAL COPY PROVIDED FOR EMPLOYEE

You are hereby notified that the above employee owes debts or unpaid taxes, penalty, interest, and/or costs as listed above to the SOUTH CAROLINA DEPARTMENT OF REVENUE. Demand has been made upon the employee and a tax lien may be issued on tax debts, which upon recordation constitutes a lien on all property, both real and personal.

Pursuant to S.C. Code Section 12-54-130, the **EMPLOYER** is hereby required to withhold from the employee's gross wages or compensation due or to become due, according to the following procedures:

1. If "Dist Code" is "AGCY" withhold 25% percent of the employee's compensation **after**, deductions for federal, state and FICA withholding.
2. For all other listings, withhold 25% percent of the employee's **GROSS** compensation of each pay period until the total liability has been paid in full. Section 12-54-25 provides that additional interest will continue to accrue for tax debts to date of payment in full. **PLEASE CALL FOR FINAL GARNISHMENT BALANCE** if total noted above is not paid within 30 days of this notice.
3. Payments should be made payable to the S.C. Department of Revenue and submitted for each pay period or monthly until the liability is satisfied. Payments should be submitted with a photocopy of this notice to properly credit the employee's account. If a copy of this notice is not submitted, please provide the following information: **Employee's Name, Social Security Number (in full), or a Receivable Number (shown above) and Amount of Payment enclosed.**
4. If the above named employee is terminated, leaves your employment for any reason or notifies you of the intention to do so before the full liability has been satisfied, **YOU ARE REQUIRED TO WITHHOLD ALL COMPENSATION** or so much thereof as may be necessary

Continued on Reverse Side

REMIT THE AMOUNTS ABOVE TO:

FOR ASSISTANCE CONTACT:

20451019

Source: SC Dept. of Revenue



to equal the balance then due by the employee. You are further required to advise the S.C. Department of Revenue in writing and remit the amount so withheld.

5. If the employee is **NO LONGER EMPLOYED** with you, please note on this form and return to the address on front of notice.

**Explanation of Distribution Codes (DIST CODE):**

**IIT** - Individual Income Tax

**SAL** - Sales Tax

**EWI** - Employer Withholding Tax

\*\*\*For all other codes please call toll-free number at the bottom of front page

12-54-25(A) Whenever the Department issues a tax lien under its hand, interest as prescribed in Section 12-54-25(D) must be calculated on the amount of tax due from the time the tax or additional tax was due until paid in its entirety.

12-54-25(D) Any person who fails to remit the tax due or additional tax as provided by law must be charged interest at the rate provided under Internal Revenue Code Sections 6621 and 6622. \* Interest must be calculated on the full amount of tax or portion thereof, exclusive of penalties from the time the tax or additional tax was due until paid in its entirety. The provisions of this section apply to all taxes levied or assessed by the Department.

12-54-43(D) In case of failure to pay the amount shown as tax on any return on or before the date prescribed by law, determined with regard to any extension of time for paying, there must be added to the tax due a penalty of one-half of one percent of the amount of the tax if the failure is for not more than one month, with an additional one-half of one percent for each additional month or fraction of the month, during which the failure continues, not exceeding twenty-five percent in the aggregate.

**This demand for payment is not applicable if you are currently in bankruptcy proceedings under Title 11 U.S. Code. Any monies due will be sought in accordance with the provisions of Title 11.**

**For Assistance Contact:**

Charleston Taxpayer Service Center	(843) 852-3600
Columbia Main Office	(803) 898-5000
Florence Taxpayer Service Center	(843) 661-4850
Greenville Taxpayer Service Center	(864) 241-1200
Rock Hill Taxpayer Service Center	(803) 324-7641
Myrtle Beach Office	(843) 839-2960
Market Pointe Taxpayer Service Center	(803) 898-5200

20452017

Source: SC Dept. of Revenue

## NOTICE OF BANKRUPTCY FILING

Creditor: \_\_\_\_\_

The following debtor has filed Bankruptcy and therefore his liabilities should be removed from collection activity.

Name: \_\_\_\_\_

Taxpayer ID No. (SSN or FEI): \_\_\_\_\_

Case Number: \_\_\_\_\_

District where case filed: \_\_\_\_\_  
(i.e. Western District of North Carolina)

Mail to: SC **Dept of Revenue, Attn: Doris Mosley/Pamela Johnson, GEAR,**  
**Columbia SC 29214-0215.**





STATE OF SOUTH CAROLINA  
DEPARTMENT OF REVENUE

**GEAR**

**FS-113**

(Rev. 4/11/01)  
2107

**Mail To:** SC Department of Revenue, GEAR, Columbia SC 29214-0215

DATE: \_\_\_\_\_

AGENCY/ENTITY NAME: \_\_\_\_\_

AGENCY ID NUMBER: \_\_\_\_\_ ENTITY ID NUMBER: \_\_\_\_\_

DEBTOR NAME: \_\_\_\_\_ SSN: \_\_\_\_\_

DEBTOR ADDRESS: \_\_\_\_\_

CITY, STATE AND ZIP: \_\_\_\_\_

AMOUNT OF PAYMENT: \$ \_\_\_\_\_

**SOUTH CAROLINA DEPARTMENT OF REVENUE USE ONLY**

RECEIVABLE NUMBER: ► \_\_\_\_\_

AMOUNT OF PAYMENT: ► \$ \_\_\_\_\_

# Appendix E

## Worthless Check Units in South Carolina

There is a worthless check unit contained within each of the 16 solicitor's offices of the state.

Contact the office within the correct judicial circuit to obtain the correct forms.

### **First Circuit (Calhoun, Dorchester, Orangeburg)**

David M. Pascoe, Jr., Solicitor  
Contact: Stacey Cook  
140 North Main Street, Suite 102  
Summerville, SC 29483  
Office: 843-871-2640  
<http://www.scsolicitor1.org/cmp/Programs/WorthlessCheck.aspx>

### **Second Circuit (Aiken, Bamberg, Barnwell)**

J. Strom Thurmond, Solicitor  
Contact: Stacey Coleman, Director  
PO Box 3368  
Aiken, SC 29802  
Office: 803-648-8637x1  
<http://www.solicitorscheckunit.net/>

### **Third Circuit (Clarendon, Lee, Sumter, Williamsburg)**

Ernest A. Finney III, Solicitor  
Contact: Debbie Mathis or  
Bobbie Reaves  
Sumter County Courthouse  
PO Box 2379  
Sumter, SC 29151  
Office: 803-774-1654  
<http://www.sumtercountysc.org/?q=department/solicitors-office>

### **Fourth Circuit (Chesterfield, Darlington, Marlboro, Dillon)**

William B. Rogers, Jr., Solicitor  
121 Market Street  
Cheraw, SC 29520  
Office: 843-623-3265  
[http://nauti5.ipower.com/index\\_files/Page512.htm](http://nauti5.ipower.com/index_files/Page512.htm)

### **Fifth Circuit (Kershaw, Richland)**

Daniel E. Johnson  
Contact: Sherry Reed  
Mike Glymph  
PO Box 1238  
Columbia, SC 29202  
Office: 803-576-1860  
<http://www.scsolicitor5.org/WorthlessCheckProgram.aspx>

### **Sixth Circuit (Chester, Lancaster, Fairfield)**

Douglas A. Barfield, Jr., Solicitor  
**No WCU in place. However, this will hopefully be instituted in 2015.**  
PO Box 728  
Chester, SC 29706  
Office: 803-377-1141, 803-416-9367  
<http://www.chestercounty.org/government/solicitor.aspx>

### **Seventh Circuit (Cherokee, Spartanburg)**

**Barry J. Barnette, Solicitor**  
Contact: Lib Jackson  
Spartanburg County Courthouse  
180 Magnolia Street  
Spartanburg, SC 29306  
Office: 864-596-2233 or 864-562-4248  
<http://www.spartanburgcounty.org/govt/depts/solicitor/wcp.htm>

### **Eighth Circuit (Abbeville, Greenwood, Laurens, Newberry)**

David M. Stumbo, Solicitor  
Contact: Beth Karle

PO Box 516  
Greenwood, SC 29648  
Office: 864-942-8812  
<http://www.scsolicitor8.org/#!worthless-check/c1s53>

**Ninth Circuit (Charleston, Berkeley)**

Scarlett A. Wilson, Solicitor  
Contact: Letha Summersett  
OT Wallace Building  
101 Meeting Street, Suite 400  
Charleston, SC 29401  
Office: 843-958-2040  
<http://www.scsolicitor9.org/pti.htm#wcu>

**Tenth Circuit (Anderson, Oconee)**

Christina T. Adams, Solicitor  
Contact: [wcu@solith.com](mailto:wcu@solith.com)  
Anderson County: Susann Hunter  
864-260-4339  
Oconee County: Marla Thomas 864-638-4294  
100 South Main Street  
Anderson, SC 29624  
<http://www.soli10th.com/worthless-check-unit>

**Eleventh Circuit (Lexington, Saluda, Edgefield, McCormick)**

Donald V. Myers, Solicitor  
Contact: Debbie Hester  
Lexington Judicial Center  
205 E. Main Street Lexington, SC 29072  
Office: 803-785-8142  
<http://www.lex-co.sc.gov/departments/DeptRZ/worthlesscheck/Pages/index.aspx>

**Twelfth Circuit (Florence, Marion)**

E.L. (Ed) Clements III, Solicitor  
Contact: Penny Burns  
117 North Irby Street  
Florence, SC 29501

Office: 843-292-1586  
<http://florenceco.org/elected-offices/solicitor/>

**Thirteenth Circuit (Greenville, Pickens)**

William W. Wilkins III, Solicitor  
Contact: Sylvia Harrison or Erin Pasquale  
Greenville County Courthouse  
305 East North Street, Suite 325  
Greenville, SC 29601  
Office: 864-467-8693  
[http://www.greenvillecounty.org/solicitor/worthless\\_check\\_program.asp](http://www.greenvillecounty.org/solicitor/worthless_check_program.asp)

**Fourteenth Circuit (Allendale, Hampton, Colleton, Jasper, Beaufort)**

Isaac McDuffie Stone III, Solicitor  
Post Office Box 1880  
Bluffton, SC 29910  
843-255-5880  
<http://www.scsolicitor14.org>

**Fifteenth Circuit (Georgetown, Horry)**

Jimmy A. Richardson II, Solicitor  
Po Box 1276  
Conway, SC 29526  
Office: 843-915-5460  
<http://www.horrycounty.org/Departments/Solicitor/WorthlessCheckUnit.aspx>

**Sixteenth Circuit (Union, York)**

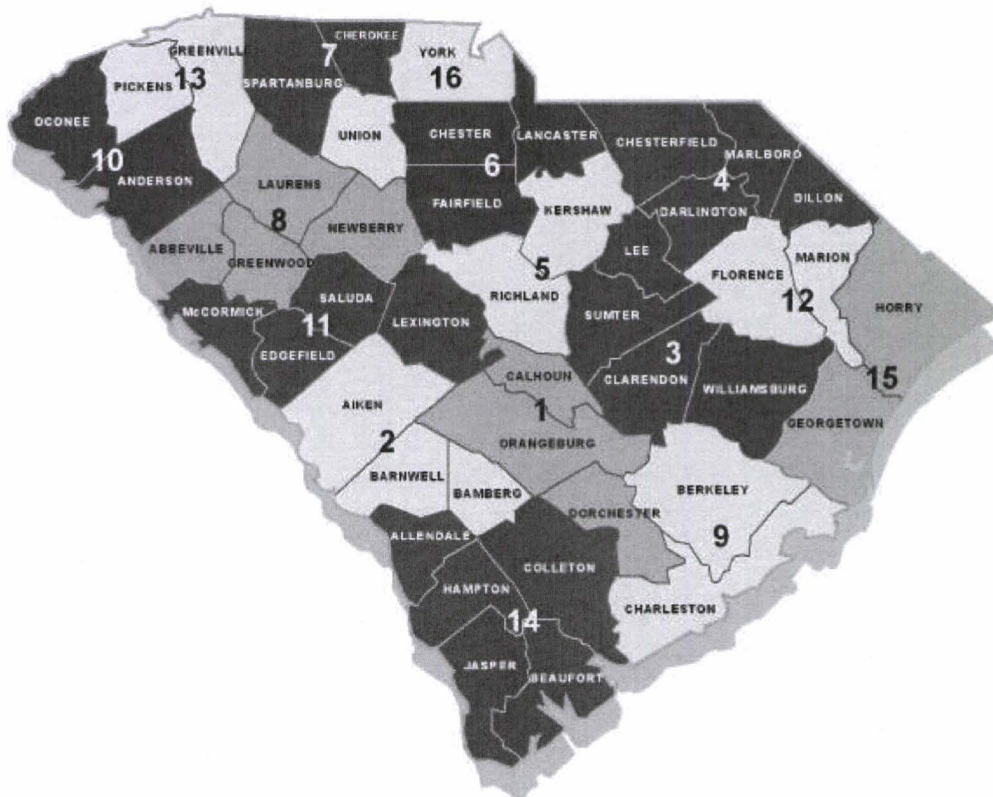
Kevin S. Brackett, Solicitor  
Contact: Maria Cabrera  
Moss Justice Center  
1675-1A York Hwy  
York, SC 29745  
Office: 803-909-7585  
<http://www.scsolicitor16.org/checkUnit>





## South Carolina JUDICIAL DEPARTMENT

### The Judicial Circuits of South Carolina



© 2000-2014 South Carolina Judicial Department

Source: <http://www.judicial.state.sc.us/circuitCourt/circuitMap.cfm>

# Sample Worthless Check Unit Instructions from the 11th Circuit

Check with appropriate Circuit for correct forms

On the next page, you will find the 11<sup>th</sup> Circuit Solicitor's Worthless Check Unit Victim/Vendor Worksheet which is required for the Solicitor's Office to help you collect on your bad check. Each check will need its own worksheet.

## Offender Info

Complete using the information about the check writer.

### Helpful Hints when accepting a check:

- Remember to get the driver license number and the state who issued the license.
- If the check has a PO Box instead of a street address, get a street address.
- Remember to write down the check writer's home and work phone numbers.
- On business checks, always write on the check who signed the check.
- Any additional information that you can obtain such as race, sex, date of birth, register transaction number, and the initials of who accepted the check and witnessed the signature is very helpful if we have to obtain an arrest warrant and prosecute the check writer.
- Remember always verify that the date on the check, amount of the check and that the signature on the check matches the driver's license signature.

## Check Info

- **Check was received in what county?** Please list the county where you received the check. If you do not know the county, you can put the address of where the check was received.
- **Date the check was accepted. Record the date you received check.**  
**Helpful Hint:** if you receive checks by mail, you should record on the check the date the check was received. This information could be critical during the prosecution of a check.
- **Date check was deposited.** Always put the first deposit date if the check is processed more than once.
- **Deposited within 10 days.** Answer yes or no. A check must be deposited within 10 days of receipt to qualify for criminal prosecution.
- **The check believed to be good at the time of receipt.** Answer yes or no
- **The check postdated (written for a future date).** Answer yes or no
- **Any agreement to hold the check.** Answer yes or no

Please verify all the information you have completed, complete the information at the bottom of the form and agree to the information about taking payments and withdrawing a check from the check program.

If you have any questions, please feel free to call our office at (803) 785-8142 or email us at [checkunit@lex-co.com](mailto:checkunit@lex-co.com).

# 11TH CIRCUIT WORTHLESS CHECK UNIT

**Mailing Address**  
P.O. Box 2077  
Lexington, SC 29071



205 East Main St., Ste 215  
Lexington, SC 29072  
(803) 785-8142  
Fax: (803) 785-5042

## Offender Info:

Name: _____	Sex: _____	Race: _____
Address: _____	City/State/Zip: _____	
Phone: _____	ID or DL #: _____	
DOB: _____	SSN: _____	

## Check Info:

Check was received in what county?	_____
Date the check was accepted ( <i>Can be different than check date</i> ):	_____
Date check deposited ( <i>1<sup>st</sup> deposit date only</i> ):	_____
Deposited within 10 days?	<input type="checkbox"/> YES <input type="checkbox"/> NO
The check believed to be good at the time of receipt?	<input type="checkbox"/> YES <input type="checkbox"/> NO
The check postdated ( <i>written for a future date</i> )?	<input type="checkbox"/> YES <input type="checkbox"/> NO
Any agreement to hold the check?	<input type="checkbox"/> YES <input type="checkbox"/> NO

## PLEASE READ

I could be held liable for the fees outlined in S.C. Code of Laws Section 17-22-710 if I:

- Withdraw the check from the program
- Stop the prosecution process
- Accept full or partial payment on this check which could result in the collection or prosecution process being stopped

**By signing this form, I swear that the above is true.**

Signature: _____	Date: _____
Print Name: _____	
Company: _____	
Address: _____	City/State/Zip: _____
Phone #: _____	Alt. Phone #: _____
Fax #: _____	Email: _____

All payments for this item **MUST** be made through the Solicitor's Worthless Check Unit.

Staple Check Here



## Appendix F



# *Controller's Office LEAN Project*

## *Finance Business Managers Meeting*

*February 25, 2014*

Source: Medical University of South Carolina



## What do the Colleges want?

- Timely and accurate data
- Uniformity
- Detailed information regarding student accounts
- Effective lines of communication

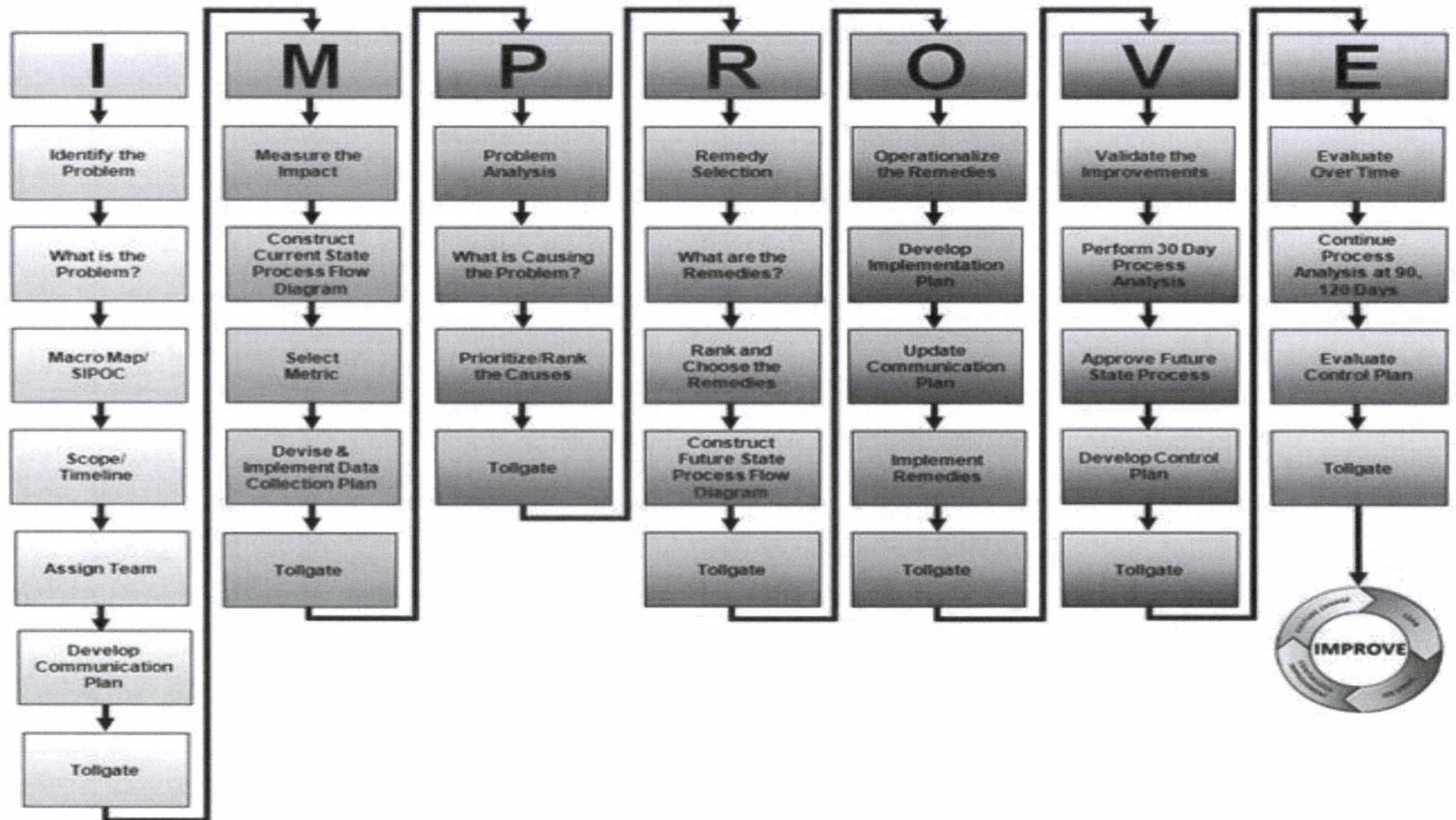


What that leads to:

- Ability to set tuition and fee rates
- Ability to forecast with more precision
- Increased awareness of student financial aid and special situations
- Overall better decision-making
- Improved student satisfaction



# IMPROVE – What was done?



Source: Medical University of South Carolina



# Project Team

Executive Champion: *Patrick Wamsley*

Project Champion: *Susie Edwards*

Process Owner: *Melissa Smith*

Team Members:

*Mark Craig*

*Jeremy Dunlap*

*Kenny Grace*

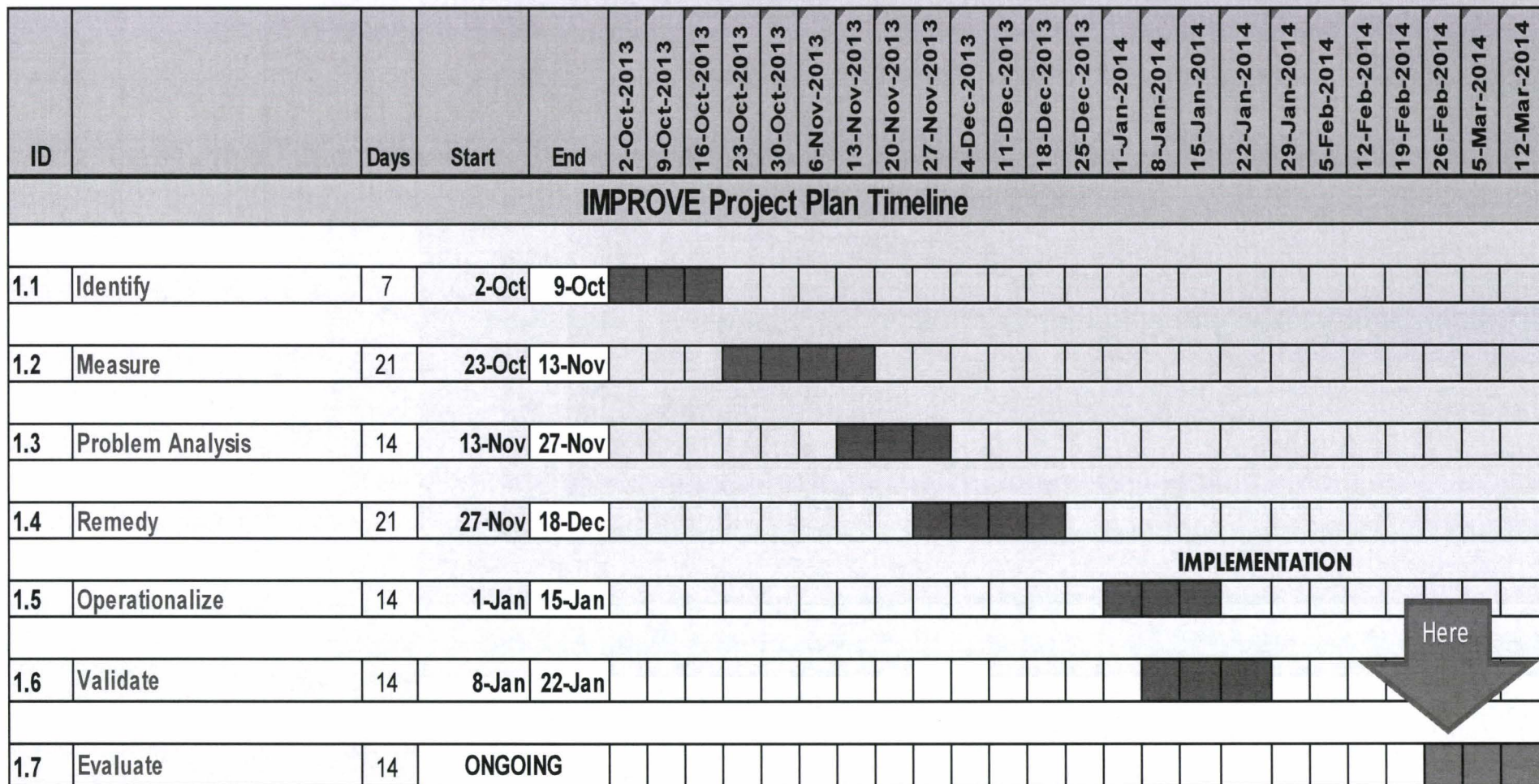
*Terry Harmon*

*Jody Latham*

Facilitator: *Mike Roudabush*



# Project Timeline





## LEAN Project: Automate the Tuition True-Up Process

### **Problem:**

The tuition “true-up” process is labor intensive and time consuming which is subject to error and inhibits the ability to accurately forecast tuition and fees collected.

### **Goal:**

Streamline the academic charge true-up process to enable accurate and timely use of information in tuition and fee forecasting.



# Root Causes of Problem

- *Students unaware of due dates*
- *Lack of forecasting tool*
- *Lack of communication and cooperation between the Office of Student Accounts and Colleges*
- *High outstanding Accounts Receivable*
- *Lack of Institutional Aid deadline for Colleges*
- *Lack of standardized format for Institutional Aid and approval process*

Source: Medical University of South Carolina



# Solutions

- *Created communication plan for Colleges with deadlines for Institutional Aid*
- *Created a forecasting tool*
- *Decreased outstanding Accounts Receivable*
- *Increased notifications to students about deadlines and account status*
- *Created Institutional Aid standard format*
- *Improved communications with Colleges*

Source: Medical University of South Carolina



# Results: Decrease of \$526k Outstanding A/R for Colleges

College	SPRING 2014 As of 1/31/2014		SPRING 2013 As of 1/31/2013		Difference	
	AR - Balance	AR - Count	AR - Balance	AR - Count	AR - Balance	AR - Count
Dental	\$ 36,741	4	\$ 93,510	8	\$ (56,768)	(4)
Grad Studies	93,255	18	422,906	58	(329,651)	(40)
Health Professions	58,028	18	81,186	19	(23,157)	(1)
Medicine	48,057	6	117,606	9	(69,549)	(3)
Nursing	93,784	32	107,868	26	(14,084)	6 *
Pharmacy	1,026	1	33,454	9	(32,428)	(8)
<b>Subtotal</b>	<b>\$ 330,892</b>	<b>79</b>	<b>\$ 856,529</b>	<b>129</b>	<b>\$ (525,637)</b>	<b>(50)</b>
Null **	2,663	4	39,199	7	(36,537)	(3)
External Billing	1,954,816		1,596,693		358,123	
<b>Total</b>	<b>\$ 2,288,370</b>	<b>83</b>	<b>\$ 2,492,422</b>	<b>136</b>	<b>\$ (204,051)</b>	<b>(53)</b>

\* Increase due to a significant increase in enrollment.

\*\* Null includes students that no longer have a program of study within a College.



# College Tuition Forecast Tool

## Tuition Master True-up File

- Tuition Billed
- Tuition Waived
- Accounts Receivable Outstanding
- Prior Term Collections

### -COLLEGE of DENTAL MEDICINE FY15 TUITION & FEE FORECAST-

#### SECTION F: FORECAST

FY15 Calculated Budget Forecast \$19,046,052

FY15 Tuition/Fee Forecast Distribution To College	Fall	Spring	Summer	Total
Billing By Term Forecast	\$ 8,389,697	\$ 7,568,207	\$ 3,152,855	\$19,110,759
Waivers Forecast	\$ 65,122	\$ 164,558	\$ 13,610	\$ 243,290
Tuition/Fees Outstanding Forecast	\$ 32,805	\$ 259,776	\$ 429,504	\$ 722,085
Prior Term Collections Forecast	\$ 404,749	\$ 71,122	\$ 247,994	\$ 723,864
<b>FY15 Tuition/Fee Forecast Distribution To College</b>	<b>\$ 8,696,519</b>	<b>\$ 7,214,994</b>	<b>\$ 2,957,735</b>	<b>\$18,869,248</b>

#### SECTION A: Enter % In-State vs. Out-of-State

	FY14	FY15 Projected
In State	77.7%	77.7%
Out-of-State	22.3%	22.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

FY14 Approved Tuition Budget \$ 17,515,466

#### SECTION B: Enter FY15 Student Projected Headcount By Program

	FY14	FY15 Projected
DMD	263	263
Dental Medicine PhD	7	7
MS In Dentistry	22	22
Master's of Oral Science	0	0
<b>Total</b>	<b>292</b>	<b>292</b>

#### SECTION D: Enter Proposed FY15 Fee Schedules

	In State		Out-of-State	
	FY14	FY15 Proposed	FY14	FY15 Proposed
<u>DMD</u>				
Semester	\$ 15,821	\$ 15,821	\$ 27,661	\$ 27,661
Summer	\$ 12,107	\$ 12,107	\$ 21,515	\$ 21,515
<u>Dental Scientist Training Prgm (DSTP)</u>				
Semester	\$ 15,821	\$ 15,821	\$ 27,661	\$ 27,661
Summer	\$ 12,107	\$ 12,107	\$ 21,515	\$ 21,515
<u>Master of Science in Dentistry</u>				
Semester	\$ 1,448	\$ 1,448	\$ 1,448	\$ 1,448
Summer	\$ 1,331	\$ 1,331	\$ 1,331	\$ 1,331
<u>Master of Oral Science</u>				
Semester	\$ 9,500	\$ 9,500	\$ 11,875	\$ 11,875
Summer	\$ 5,000	\$ 5,000	\$ 6,250	\$ 6,250

#### SECTION C: Enter FY15 Proposed Program Fees

Program Fees	FY14	FY15 Proposed
Disability Insurance (annual 1st & 2nd YR Students)	\$ 95	\$ 95
Disability Insurance (annual 3rd & 4th YR Students)	\$ 135	\$ 135
Instruments (annual)	\$ 4,650	\$ 4,650
Clinical & Lab Support Fee (annual)	\$ 7,900	\$ 7,900
Gross Anatomy Course Fee (1st YR students only)	\$ 1,000	\$ 1,000
Histology Fee (1st YR students only)	\$ 250	\$ 250
Dental Informatics Fee (annual)	\$ 6,400	\$ 6,400
Master of Science In Dentistry (annual)	\$ 8,750	\$ 8,750
Master of Oral Science (annual)	\$ 8,750	\$ 9,000
Application Fee (per applicant)	\$ 95	\$ 95
Matriculation fee (applicant accepted)	\$ 485	\$ 485



## Appendix G

# 2014 Agency Debt Collection Report

Proviso 117.38 of the FY 2014-15 Appropriations Act directs that each state agency shall provide to the Chairman of Senate Finance, House Ways and Means Committees and the Inspector General a report detailing outstanding debt and all methods it has used to collect that debt due by February 1, 2015.

For calendar year 2013, the combined reported agency debt in excess of 60 days was \$1,021,950,073.

In order to ensure accurate reporting for agency comparison, submit only the total amount of outstanding receivables still on agency books, which are 60 days or older as of December 31, 2014.

DO NOT INCLUDE DEBT PREVIOUSLY WRITTEN-OFF.

Total agency receivables (to include those that are past due) as of 12/31/14	\$
Total agency receivables 60 days, or older, as of 12/31/2014	\$
Total amount of debt written off by agency during calendar year 2014. (DO NOT INCLUDE IN ABOVE TOTAL)	\$

Does the agency participate in the Worthless Check Program through the Circuit Solicitor's Office? (Choose One)	Yes	No
Does the agency use the DOR set-off program? (Choose One)	Yes	No
Does the agency use the DOR GEAR program? (Choose One)	Yes	No
Does the agency use outside collection agencies? (Choose One)	Yes	No

Please answer the following questions to develop 'lessons learned' and statewide trends to be shared, **without attribution**, with all agencies.

**Biggest issues the agency faces with collection of aged receivables:**

**Agency practices for collections that have proven effective:**

**Feedback on DOR's Collection programs or Solicitor's Worthless Check Units, if applicable:**

**Summary of collection practices (Required by proviso):**

In order to assist other agencies with collection efforts, provide a summary of collection practices and aged date each step in implemented. If known, an approximate percentage of recovery at each phase.

**(Optional) Narrative to explain uniqueness of agency receivables categories or collection efforts:**



## Appendix H

### Contacts for Specific Expertise

#### Department of Revenue-GEAR and Tax Set-off Programs

Perry Mathis 803-898-5741  
Collection Manager  
Collection Services Field Operations  
Email: [mathisp@sctax.org](mailto:mathisp@sctax.org)

#### SC.GOV –SC Government Web Portal

SC Interactive, LLC  
Lowell Abney 803-771-0131 x105  
Director of Payment Processing and Local Business Development  
Email: [lowellA@portal.sc.gov](mailto:lowellA@portal.sc.gov)

#### Executive Budget Office

Brenda Hart 803-734-2149  
State Budget Director  
Email: [bhart@budget.sc.gov](mailto:bhart@budget.sc.gov)

#### Worthless Check Units which offered to set up model programs for state agencies

##### Eleventh Circuit (Lexington, Saluda, Edgefield, McCormick)

Donald V. Myers, Solicitor  
Contact: Debbie Hester 803-785-8142  
<http://www.lex-co.sc.gov/departments/DeptRZ/worthlesscheck/Pages/index.aspx>

##### Seventh Circuit (Cherokee, Spartanburg)

Barry J. Barnette, Solicitor  
Contact: Lib Jackson 864-596-2233 or  
<http://www.spartanburgcounty.org/govt/depts/sol/wcp.htm> 864-562-4248

#### Colleges and University Resources

David G. Katz 843-953-5572  
Treasurer  
College of Charleston  
Email: [KatzD@cofc.edu](mailto:KatzD@cofc.edu)

Patrick J. Wamsley, CPA 843-792-8909  
Chief Financial Officer  
Medical University of South Carolina  
Email: [Wamsleyp@musc.edu](mailto:Wamsleyp@musc.edu)

Appendix I  
Published Report

# Office of the Inspector General

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*Patrick J. Maley*



## **An Opportunity for Taxpayer Savings Through Improving Statewide Accounts Receivable Practices**



## I. Executive Summary

Applying accounts receivable best practices by individual agencies and pursuing several potential statewide solutions could yield millions, if not tens of millions, of dollars in taxpayer savings. The 2013 statewide Annual Debt Collection Report reported the Executive Branch's self-reported past due accounts receivables of \$1,021,950,073, which was certainly a sign of concern and an opportunity for taxpayer savings through improvement. Analysis determined this report's data had substantial accuracy and reliability issues, such as not including \$57 million unreported by 16 agencies and unclear guidance on reporting debt previously written-off which added hundreds of millions of dollars to the debt. The upcoming 2014 report, due in February 2014, will have improved data collection guidance and standardized reporting to establish an accurate statewide baseline to move forward. Regardless of the final accurate statewide past due debt, improving the effectiveness of managing statewide accounts receivables, both in total and past due accounts, represents a potential significant taxpayer savings--a small percent improvement on a large statewide past due debt is a big savings.

The SIG interviewed a cross section of thirty state agencies to develop a baseline understanding of accounts receivable programs in state government. SIG determined a few agencies were exceptional, characterized by a very pro-active approach to policies, debt collection procedures, and metrics for results to drive continuous improvement, while others were complacent. Most agencies landed between these two extremes creating an overall bell curve of how state agencies managed accounts receivables, particularly collecting past due debt.

The start for individual agency improvement is to compare its accounts receivable program to best practices, which will identify areas for potential improvement. Accounts receivable best practices can be summed up in a few conceptual steps: prevention; collect early and often; collect locally; and proactively persistent. Best practices do not always translate to every agency due to different business models, but it is the place to start an improvement initiative. Specific best practices included: prevention; invoice at delivery; invoice often; telephone contact between invoices; collect locally; late payment penalties; exploit technology; doubtful accounts receivable policy; and proactive vigilance—leadership. Improving an individual agency's accounts receivable program should not be viewed as a one-time comparison to best practices. Any group of policies and procedures require the development of metrics for success and periodic review which, in turn, creates a program capable of continuous improvement.

The South Carolina Department of Revenue's (DOR) programs available to state agencies to promote collection of past due receivables were under-exploited. DOR's Set-Off Program compares an agency's past due account to the debtor's refund due, and, if available, remits the debtor's refund to the agency to off-set the debt owed. DOR's Government Enterprise Accounts Receivable Program (GEAR) Program is a more intensive collection effort using traditional collection methods found in the private sector with a uniquely distinguishing capability to levy against assets and to garnish wages to satisfy the debt owed. Five issues were identified inhibiting state agencies from fully exploiting DOR's past due accounts receivable collection programs: many agencies did not have an accurate understanding of DOR's two programs; GEAR's 28.5% fee was higher than the private sector; GEAR does not pass on its collection fees to debtors; DOR requires taxpayer identification numbers on accounts submitted for collection; and DOR's technology interface with agencies needed improvement.



During the SIG review, DOR noted its interest in understanding how the agency, particularly GEAR, can better serve state agencies. DOR described the history of GEAR being considered the debt collector of last resort, which certainly played a role in the existing factors inhibiting agencies from using GEAR. DOR deemed it had some flexibility to address the issues identified inhibiting state agencies from fully exploiting GEAR, while some changes will require legislative action. With seemingly modest modifications to GEAR, DOR could stand as the collection agent of first resort for all state agencies after exhausting their internal efforts, rather than the last. DOR should be able to lower its fees charged to state agencies after it recovers its fair costs, which, in turn, will incentivize agencies to use DOR for cost savings. Given its unique capabilities and potential significant collection cost savings to agencies and, correspondingly, taxpayers, GEAR should have the first opportunity to collect the state's debt as long as it is competitively advantageous over private sector agencies.

Almost every agency reviewed had some issue with checks returned for insufficient funds. The review identified two potential statewide solutions. First, a change in the current state statute would permit agencies to bring a collection action in local Magistrate's court, which is currently prohibited. Second, agencies currently underutilize their local Solicitor's Worthless Check Units, which provides an effective service at no cost to an agency.

Other opportunities observed in agencies with statewide application were: fully exploiting technology by engaging SC.Gov, also known as SC Interactive, to create an online payment system and automate customer data submission; and cooperation among agencies to leverage information or regulations to enhance the effectiveness of collecting delinquent accounts receivables.

The difference between exceptional and mediocrity in any function of government, to include accounts receivable, is management's skill at building a program that measures results, which are then fed back into the program to stimulate continuous improvement and an accountability mindset by the program's operators. A finance director of an exceptional program provided a great analogy viewing the collection process as a series of waterfalls. At each level, there was the opportunity to collect funds where employees proactively worked to maximize the opportunity; this same agency measured results throughout the organization so employees realized their efforts would ultimately be a reflection of their individual or unit's contributions. Lesser programs had less collection steps and less of a performance link with results, to include instances of agencies giving the appearance of just going through the motions prior to writing off the debt. The primary direction for overall improvement is two-fold: 1) individual agencies should compare their programs with best practices, exploit opportunities to improve, and incorporate success metrics to drive a program capable of continuous improvement; and 2) explore options to enhance DOR's GEAR program which will have a positive statewide impact on the collection of delinquent accounts receivable debt, lower administrative handling costs, and save fees to private debt collectors.



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(link: <a href="http://oig.sc.gov/Documents/Appendices_SIG_Accounts_Receivable_Report.pdf">http://oig.sc.gov/Documents/Appendices_SIG_Accounts_Receivable_Report.pdf</a> )	

## **II. Background**

### **A. Objectives**

This review was predicated upon FY 2013-2014 Legislative Proviso 117.38, which required each agency to produce a past due debt report, known as the Annual Debt Collection Report, summarizing agency receivables in excess of 60 days. The calendar year 2013 report determined the aggregate Executive Branch agency accounts receivables in excess of 60 days to be \$1,021,950,073, which was a 74% increase from the \$585,589,463 in 2012. Given the sheer significance of more than a billion dollars in agency self-reported past due accounts receivables, the SIG conducted a review of statewide accounts receivable programs, particularly the practices of collecting past due debt. Given the aggregate past due accounts receivables, opportunities to improve accounts receivable collections on a statewide basis could yield significance taxpayer savings in both bad debt avoidance, lower administrative handling costs, and enhanced cash flow management.

This review's objectives were:

- Survey a representative sample of agencies' accounts receivable programs to develop a baseline understanding of the operations of accounts receivable programs statewide;
- Identify accounts receivable best practices in state government; and
- Identify potential strategies to improve accounts receivable collections on a statewide basis.

### **B. Overview of Accounts Receivable**

A substantial portion of the state's \$24 billion revenue came from Executive Branch agencies collecting for service fees, user fees, and taxes. Ideally, fees and taxes would be collected in advance, at time of a service, or due date set by regulation or statute. However, under many business models, this revenue is collected after the state provides a service. When this occurs, an agency establishes an accounts receivable for each debt. To effectively manage these accounts receivables, each agency creates an accounts receivable program through policies and procedures to manage establishing a customer account; invoicing (billing) a customer; and then builds a methodical process to collect the accounts receivable in a reasonable amount of time while incurring the least amount of administrative handling costs.

Despite the seemingly straight forward approach to operate an accounts receivable program, there are a variety of decision variables an agency makes to determine the optimal program to support its business model. These decision variables include: who and when to offer an accounts receivable versus requiring pre-payment or payment upon delivery; method of invoicing (email or US mail); payment terms; payment options; late fees; collection management process; personnel staffing of accounts receivable; use of a collection agency; and a bad-debt write-off policy. An accounts receivable program should develop simple metrics to measure its effectiveness, which then drives periodic re-evaluation of the program decision variables to continually improve debt collection and minimize the administrative handling costs.



### **III. Survey of Accounts Receivable Programs in the Executive Branch**

This review started with an analysis of the 2013 Annual Debt Collection Report containing agencies' self-reported outstanding accounts receivable debt over 60 days on 12/31/2013, which totaled \$1,021,950,073 from 97 Executive Branch agencies (see Appendix A-1). Of the 97 agencies, 27 had aggregate debt of \$1.02 billion (99.96%) with the residual agencies' aggregate past due debt of \$500,000 (0.04%) (see Appendix A-2 for debt in descending order).

A review of the 2013 Annual Debt Collection Report raised concern with the accuracy and reliability of its data. Issues included: non-reporting by several agencies; did not include \$57 million past due debt from 16 agencies reported after the preparation of the report; agencies' accounts receivables passed to DOR for collection were double counted on both agencies' books; unclear guidance on reporting debt previously written-off, such as \$440 million at DOR; some agencies reported all accounts receivables rather than only debt in excess of 60 days as requested; some agencies limited accounts receivable to only the past 12 months; and a variety of other format issues. To enhance the accuracy and reliability of the upcoming 2014 Annual Debt Collection Report, the SIG has coordinated with the Executive Budget Office (EBO) to improve guidance and standardize reporting. The recommended standard is simple and straight forward—total accounts receivable over 60 days old still on an agency's books on 12/31/2014, and specifically exclude any previously written off debt. (see Appendix G for draft uniform report format).

The SIG interviewed a cross section of thirty state agencies to develop a baseline understanding of accounts receivable programs in South Carolina state government. The SIG determined a few agencies were exceptional, characterized by a very pro-active approach to policies, debt collection procedures, and metrics for results to drive continuous improvement, while others were complacent. Most agencies landed between these two extremes creating an overall bell curve of how state agencies managed accounts receivables, particularly collecting past due debt.

An example of a model accounts receivable program was found at the College of Charleston. The core of this successful program was based upon a continuous improvement model of management. The program developed policies, procedures, and workflows in sufficient detail to set clear expectations on how employees executed the program. Then, it did what poor programs fail to do---measured results, compared results to expectations, and modified the program to continuously improve. As an example, in 2005, 54% of the students were delinquent in their obligations prior to each semester's payment deadline. With modification in its accounts receivable process, only 3% in 2013 were delinquent at the same deadline. To demonstrate the proactive nature of this program, the University developed a procedure to annually rank its multiple collection agencies by each's rate of return and fees. These rankings determined the timing and amount of future accounts turned over to these companies for collection, which incentivized collections and lowered fees. In short, a continuous improvement accounts receivable model created a self-reinforcing process of standardized procedures with embedded metrics, which provided management the data to evaluate its program and continuously identify areas to improve.



Another example of excellence was the South Carolina Department of Parks, Recreation, and Tourism (PRT), which reported significant problems with bad checks in prior years. This agency completely solved this problem by refusing to accept checks and required payment by debit or credit card. This agency also created an online registration and payment system for reservations and merchandise.

Interestingly, agencies on the lower end of the effectiveness spectrum generally were all satisfied with their accounts receivable program. Obvious symptoms of shortcomings were manual processes; delayed initial billings; timid in collection approach for fear of angering constituents; and a claim their customers were unique causing unavoidable delinquencies and bad debt. One director stated his agency was never established to make money, which really crystallized the problem with low performing accounts receivable programs. Collecting what is due to the state is not making money; it is a critical business process to lower bad debt, lower administrative handling costs, and improve cash flow. Most importantly, anything less than a rigorous good faith effort to collect past due accounts receivables places an unfair burden on everyone else paying in a timely manner, most notably taxpayers.

Many agencies in the middle of the spectrum may not have had the mature accounts receivable program found at the College of Charleston, but they certainly proactively identified problems and developed solutions. Examples included one agency removed the 60-90 day column from its aged receivable report and thereby changed the internal perception that accounts could not exceed 60 days before collection. The result was all but three customers complied, which improved cash flow and lowered administrative handling costs. A second agency required pre-payment for services when the payer was geographically remote, thereby eliminating a receivable. However, this agency still invoiced local customers and still faced some issues with their local collections. Despite these agencies not having a classic continuous improvement program model characterized by defined success metrics, they did proactively manage their accounts receivable program to identify problems and develop solutions to move these agency's programs in the right direction with corresponding savings.

The main difference between the exceptional agencies programs from poor programs was a function of management's proactive efforts to identify problems or opportunity for improvements, all of which were in the direction of a continuous improvement model. A continuous improvement model self-reinforces management to seek excellence, while complacency puts programs on the course toward mediocrity or worse. The SIG has no reason to think lower performing accounts receivable programs were intentionally mismanaged. Rather, it is a function of all the symptoms of organizational ineffectiveness—complacency, lack of benchmarks, and inherent organizational inertia unaddressed by leadership. In short, not optimizing an accounts receivable program through fundamental management is pure government waste caused by poor management practices.

#### **IV. Opportunities for Individual Agency Improvement By Applying Best Practices**

The start for individual agency improvement is to develop baseline benchmarks to create a basis of comparison. This will identify areas for potential improvement. Identifying industry best practices is generally the foundation to establish baseline standards. Accounts receivable best practices can be summed up in a few conceptual steps: prevention; collect early and often; collect locally; and proactive persistence. Best practices were identified throughout the SIG's contact at 30 agencies, which were comparable to best practices in



management literature. Best practices do not always translate to every agency due to different business models, but it is the place to start an improvement initiative.

Improving an individual agency's accounts receivable program should not be viewed as a one-time comparison to best practices. Any group of policies and procedures require the development of metrics for success and periodic review. This, if managed proactively, in turn, creates a program capable of continuous improvement.

#### **A. Prevention**

The best way to collect on an accounts receivable is to prevent the creation of one in the first place. If possible, agencies should collect fees before or at the time of service delivery. In small business terms, this is called "getting your money up front." In today's marketplace, customers are used to paying for goods and services before taking ownership, particularly via debit or credit cards.

Agencies shifting to online payment methods was the common solution to this issue. The review did identify a number of current agency practices unnecessarily invoicing after a service despite the obvious potential of online payment options.

Several agencies rented out space but did not collect payments up front. At least one agency experienced collection of a past due accounts receivable when the renter was another state agency. A solution would be to require an interdepartmental transfer of funds prior to the rental.

A low dollar but common problem was agencies invoicing their cost for services associated with document requests, such as FOIA requests. Agencies have complete control to require payment at time of delivery to offset costs, but do not always do so. As way of example, the Department of Archives and History showed 40% of its accounts receivables were eliminated in just one year after implementing a pre-payment policy for records and research.

#### **B. Invoice at Delivery**

To meet an agency's business model, the fee or tax may not be collected at the time of service or by the due date. This review found several agencies that averaged over 30 days after delivery prior to sending out the initial invoice. The invoice should be remitted at delivery or as soon as possible in order to speed up the payment process. This both impacts an agency's cash flow and sets the tone for earlier payment. Further, the longer a receivable remains outstanding, the greater the likelihood it becomes an uncollectable debt.

#### **C. Invoice Often**

With collections, the adage, "The squeaky wheel gets the grease," has never been truer. Just as important as it is to invoice at delivery, following up quickly with past due notifications is essential to collections. If each collection contact is an opportunity to collect an outstanding balance, then frequent reminders create more

opportunities for payment. Agencies successful in this area exploit the inexpensive nature of email invoicing with the delivery receipt easily electronically confirmed.

#### **D. Call Between Invoices**

Placing a phone call to the customer to inquire on payment between invoicing periods serves as both a reminder for payment and a confirmation of receipt of the invoice. There is no reason to let the account sit between written notifications for late payment. Most private collection agencies have two methods to collect debt—letters and phone calls. Agencies can use these same techniques to improve collection and avoid referring debts to collection agencies and incurring additional fees. One finance director reported her team invoiced each month with phone calls at the midpoint between invoices, which reduced collection time.

#### **E. Collect Locally**

State agencies generally centralize accounts receivable in its headquarters for business accounting reasons. However, the best collection approach found was to de-centralize past due collection efforts to where the debt originated. Pushing out the collection efforts to be as close to the customer fixes responsibility with the agency employees directly working with the customer. Even if an agency chooses to send out invoices from a central location, involving agency employees with direct customer contact in the collection effort increased collections.

The Medical University of South Carolina (MUSC) conducted a Lean Six Sigma project to both reduce accounts receivable and improve cash flow for better financial planning. (See Appendix F) As part of this project, students were contacted more frequently about deadlines and balances due. Further, the individual colleges within the University were involved by being made aware of their students with past due receivables. This resulted in decreasing accounts receivable by \$525,637, a 61% reduction.

Perhaps the best example of fully exploiting this best practice, one agency made each department responsible for its own collections, which was incentivized by any bad debt being directly deducted from that department's budget. The effect was predictably positive for collections and the agency's cash flow. When ownership of collecting delinquent debt is fixed with front line employees who interact with customers, collections increase.

#### **F. Late Payment Penalties and Collection Costs**

Some agencies charged late payment fines and collection costs while others did not. Some agencies chose to not charge late fees while others reported their fees were set by statute, to include prohibiting late payment penalties or the ability to suspend activities for non-payment. Late payment penalties clearly incentivize meeting payment deadlines.



### **G. Exploit Technology**

An accounts receivable program has many procedures that can be automated to increase collections and lower administrative handling costs. The best example is a secure online payment system that both gets payment up front and lowers administrative handling costs. Another example was an agency worked with the Division of Technology, BCB, to create an auto-call program and automatic email for delinquent accounts. The procedures of an accounts receivable program provide ample opportunity to exploit today's technology to improve a program's efficiency and effectiveness.

### **H. Doubtful Accounts Receivable Policy**

Unfortunately, there comes a time in the collection process where the debt is determined to be uncollectable. When an agency writes debt off for accounting purposes, it may differ from when the agency stops collection efforts. Given the different state and federal statutes of limitations applying to different state agencies, it is not possible to create a statewide policy on the appropriate time to write off bad-debt. However, each agency should develop a policy to help control administrative handling costs. Examples of write-off time frames used by various state agencies include three years after no payment on the debt; applicable statute of limitations; and when judgments or liens of record expire.

### **I. Proactive Vigilance-Leadership**

Building and managing an accounts receivable program requires evidence based judgment and a proactive mindset. One agency averaged a 30% bad debt write-off while another agency, with a completely different business model, averaged a 1% bad-debt write-off; both "felt" okay with this result. Who is right? The only way to know is to have a proactive accounts receivable program using a continuous improvement model, which would be able to provide a business case for the appropriate average bad debt write-off. An organization can't know if it is 'good enough' without establishing reliable standards in a rigorous manner. Complacent programs tend to stop at that comfortable "feels okay" threshold decision. Avoiding bad debt and lowering administrative handling costs are only limited by an agency's desire to be proactively vigilant using an evidence based management program that drives continuous improvement.

A good example was the South Carolina Department of Transportation (SCDOT) aggressively tracking down payment sources for known instances of damage to state property caused by vehicle accidents. SCDOT follows up with insurance companies for payment, and has arranged with the Department of Motor Vehicles to suspend the involved driver's motor vehicle license for non-payment. Another agency eliminated the use of checks and moved customers to online payment, which nearly eliminated bad debt and accounts receivable. Technical schools and universities keep a 'hold' on the account of a debtor even after the debt was written off, which prevents the debtor from doing business with the institution until the prior debt is collected.

A poor example would be several agencies incur costs, which were then referred to other agencies for collection. While this collection process conceptually was established for efficiency, the reality was collections were, at best, a perfunctory function at other agencies and, at worst, these funds were among the lowest



priorities for the collecting agency. The agency delegating its debt collection did not vigilantly monitor progress on its accounts receivables, which resulted in under-addressed past due accounts receivables, which will inherently lead to higher uncollectable debts.

With such a large statewide reported past due accounts receivables, a small percent in the reduction of bad debt and administrative handling costs can lead to a large taxpayer savings. Improving an accounts receivable program is basic fundamental management. The ingredient to spark this improvement is leadership which challenges processes and people with high expectations, while defeating complacency's attitude to be content with "good enough."

## **V. Opportunities for Improvement Through Statewide Strategies**

### **A. Leverage SC Department of Revenue Collection Capabilities**

Unique to South Carolina state government is our own internal collection agency, the South Carolina Department of Revenue (DOR). This agency's core mission is to collect funds on behalf of the state. In addition to tax collection, the agency has two collection programs which are available to all state agencies to promote collection of their past due receivables: the Tax Set-Off Program (Set-Off); and the Government Enterprise Accounts Receivable Program (GEAR).

Set-Off is DOR's best known program among state agencies. After appropriate notice by the agency, past due accounts receivables can be turned over to DOR once a year in the Fall. These past due accounts are then matched up against any tax refunds due a taxpayer. If there is a refund due, the balance due to a particular agency is off-set from the refund and remitted to the agency. DOR charges a fixed \$25 fee per refund set-off, which is collected from the taxpayer's refund if available (See Appendix C for a complete guide to Set-Off).

GEAR is the more intensive collection effort on the part of DOR. GEAR uses traditional collection methods found in the private sector, such as demand notices and telephone calls. However, it has a uniquely distinguishing capability to levy against assets and to garnish wages to satisfy the debt owed. This capability creates the leverage with debtors to normally respond to GEAR's initial demand without the need to move forward with a levy or garnishment. Other attributes of GEAR are:

- GEAR charges a 28.5% collection fee, which is deducted from the balance owed to the agency and is higher than private debt collectors ranging from 20-25%. GEAR is unable to add its 28.5% collection fee to the collection debt even when the agency has a legal basis to require a debtor pay collection costs. Using GEAR, even if the entire debt is recovered, the agency will only net 71.5% of the past due account balance. Agencies can submit past due accounts to GEAR throughout the year.
- Debt placed for collection in the GEAR program is also automatically placed in the Set-Off. DOR uses Set-Off as the recovery of first choice with the lower fixed fee of \$25. Those accounts not satisfied by Set-Off are then subject to GEAR's more rigorous recovery methods and charged the dramatically higher 28.5% collection fee. (See Appendix D for a complete guide to the GEAR).



Before an agency can avail itself to either Set-Off or GEAR to collect debts, the agency must exhaust all internal channels to collect the balance owed; any right of contest or appeal regarding the balance owed should be expired to satisfy due process standards; and the agency must send a notice to the debtor the account is being turned over to DOR for collection.

The SIG review identified five issues inhibiting state agencies from fully exploiting DOR's past due accounts receivable collection programs, which were:

- Many agencies did not have an accurate understanding of Set-Off and GEAR: Many agencies contacted were unaware of the programs available at DOR. Of the two, Set-Off was generally better known and utilized than GEAR. Many agencies did not understand the distinctions between the two programs or aware they had access to both programs. A common misunderstanding was that an agency could not continue collection efforts or to accept payment after an account had been turned over to GEAR where that could be done under Set-Off. DOR does allow payment to be collected by the agency in both programs after an account is turned over to DOR.
- GEAR's 28.5% fee was higher than the private debt collectors: GEAR's 28.5% collection fee was substantially higher than private debt collectors, which ranged from 20% - 25%. Many state agencies have opted to use private debt collectors over GEAR to save collection fees. According to DOR officials, the 28.5% rate was artificially set higher than private debt collectors at the inception of GEAR in 1997 to address claims of unfair competition by private debt collectors with existing state agency contracts. GEAR also represented itself as a collection effort of last resort, which tended to promote the use of private debt collectors to collect delinquent public debt.
- GEAR does not pass on its collection fees to debtors: Several state agencies using Set-Off opted out of using GEAR because GEAR could not pass on its collection fees (28.5%) to debtors even when the agency had a legal basis to require a debtor pay collection costs. Some agencies have established a legal basis with debtors to charge late fee penalties, which both incentivize on-time payment and serves as a cost recovery measure for the additional administrative handling costs. Also, some agencies operated under federal guidelines which precluded allowing for the collection costs to be deducted from the underlying accounts receivable debt, thus preventing these agencies from using GEAR.
- DOR requires taxpayer identification numbers on accounts submitted for collection: Some agencies do not have the debtor's taxpayer identification number, which prevents the agency sending the debt to Set-Off or GEAR. Another state agency has this information which, if shared, could increase collections. Rather than having each agency request this sensitive information before submitting accounts to DOR, there is a greater likelihood of accessing this data under highly controlled circumstances through just one agency, DOR, to simplify logistics and information security risks.



- DOR technology interface with agencies needed improvement: Several issues with data transmission mechanisms to DOR and format were raised. During the review, DOR addressed these concerns for both Set-Off and GEAR.

An example of the potential benefit of fully exploiting GEAR, an agency approached DOR regarding the handling of collections through GEAR. This agency requested concessions for a reduction of the 28.5% fee, as well as the need for GEAR to collect its late fees from the debtor inasmuch as the agency's debt was covered by federal regulations prohibiting collection fees being deducted from the underlying debt. DOR, at the time, was unable to accommodate the request. As a result, this agency is now proceeding with a separate Request for Proposal (RFP) for a private collection agency to handle this debt, which was well over \$100 million in past due accounts. If awarded, collection fees on this large debt will move out of the figurative state pot and into the hands of a private collection company. A review of the statewide procurement contract for higher education debt collection services identified 19 vendors; 17 vendors were out of state and two had South Carolina addresses.

Outsourcing an activity certainly makes sense when the activity can be handled more cost effectively or the organization doesn't have the capability to perform the activity. However, in the case of past due accounts receivable collections, the state has an agency specifically designed to handle this activity with unique capabilities not found in the private sector. Private sector collection companies are not to be discouraged, but state government should be given the first opportunity to collect its own debt and lower the state's collections costs if it can adequately compete. Additionally, allowing GEAR to be the first choice of agencies' collection efforts will result in GEAR having access to past due debt sooner to enhance collectability. Currently, many of GEARs past due debt comes after private sector companies have failed in collection efforts.

During the SIG review, DOR noted its interest in understanding how the agency, particularly GEAR, can better serve state agencies. DOR described the history of GEAR being considered the debt collector of last resort, which certainly played a role in the existing factors inhibiting agencies from using GEAR. DOR deemed it had some flexibility to address the issues identified inhibiting state agencies from fully exploiting GEAR, while some changes, such as adding its collection costs to the debt, will require legislative action. With seemingly modest modifications to GEAR, DOR could stand as the collection agent of first resort for all state agencies after exhausting their internal efforts, rather than the last. DOR should be able to lower its fees charged to state agencies after it recovers its fair costs, which, in turn, will incentivize agencies to use DOR for cost savings. Given its unique capabilities and potential significant collection cost savings to agencies and, correspondingly, taxpayers, GEAR should have the first opportunity to collect the state's debt as long as it is competitively advantageous over private sector collections agencies, many of which were out of state.

#### **B. Statewide Mechanisms to Address Bad Checks**

Almost every agency reviewed had some issue with checks returned for insufficient funds, ranging from five checks per year at one agency to another's entire accounts receivable composed of over a million dollars in returned checks. In addition to bad debt potential of these checks, many agencies commented on the corresponding administrative handling costs just to attempt to try to collect on a returned check.



If a check cannot be collected after proper notification, the proper venue in the private sector to enforce collection is usually a local Magistrate's court due to the small dollar amount involved. However, state agencies are prohibited from bringing an action to collect, under SC Code Ann. § 22-3-20, in Magistrate's court. As a result, a state agency can't enforce a collection action except in the Court of Common Pleas which has significantly higher fees and higher thresholds.

Only two agencies in this review used Worthless Check Units (WCU) in local Solicitor's offices to address bad check debt; both agencies reported positive results. Writing a bad check is an unlawful act under SC Code Ann. §34-11-60 (a). Almost every state Solicitor's office has a WCU with a reported recovery rate ranging between 60%-80%. There is no cost to an agency and the WCU takes care of all notices to the offender. The fees charged by the solicitor's office are added to the check balance, so the agency is made whole. All this is done on a very simple WCU form with the check attached (see Appendix E).

Agencies' difficulties in dealing with checks included:

- Several agencies wanted a check verification system, which would immediately determine if a check was good or not, but determined their check volume was insufficient to warrant the expense of such a system;
- Several agencies reported that most of their insufficient fund checks came from businesses or organizations, which many check verification systems did not cover;
- One agency had an entire revocation process with hearings that had to be followed if someone paid with a worthless check;
- Other agencies, per their legal counsel, had no statutory authority to revoke a license or filing, even if the check presented for the license had insufficient funds; and
- Several agencies were hesitant to intensely pursue collection of bad checks for fear of citizen pushback impacting their constituent service reputation.

The best solution to this problem is by simply refusing to take checks, which one agency has successfully used. Given the advent of paperless payment systems with paper checks on the decline, this may be an option for other agencies in the future. In the meantime, possible statewide strategies include a legislative change allowing state agencies to bring an action to collect in Magistrate's court and agencies utilizing WCUs in local Solicitor offices.

### **C. SC.Gov**

SC.Gov, also known as SC Interactive, hosts many state agency websites at no cost. SC.Gov can set up an online payment system for an agency. Agencies have no out of pocket expense for this service, but SC.Gov

does add a transaction fee. Many agencies have modified regulations to allow passing this transaction fee on to the customer. SC.Gov can also automate customer data submitted with a payment, at no charge, which would eliminate manual processing by the agency. When interfaced with an agency's billing application, the process can also be set up to disallow late filings without a late fee being charged.

As an opportunity to leverage SC.Gov, two agencies were identified with past due accounts receivables almost entirely made up of late filing fees, which could be eliminated by using SC.Gov. A second example pertained to two small schools having almost identical business models, yet one used SC.Gov to electronically handle payments up front and online, while the other invoiced for payments due. The school not using SC.Gov had accounts receivables while the other using SC.Gov had none.

#### **D. Leveraging Multi-Agency Capabilities**

Many examples were identified where cooperation among agencies created leverage to more effectively collect past due accounts payables. Examples included:

- SC Business One Stop (SC BOS) is an online interface through DOR allowing business owners to file forms and make payments to many state agencies. This creates a single entry point for the business to be able to submit both data and payments to many agencies, to include the Secretary of State, the Department of Employment and Workforce, Consumer Affairs, DOR, and many others.
- A retailer cannot obtain a lottery license until all delinquent sales tax was paid;
- Several agencies queried the Department of Health and Environmental Control's death certificate database, which allowed for a more timely termination of state benefits and a prevention of an accounts receivable; and
- Each vendor doing business with the State is issued a unique code number through SCEIS. Once a business has been levied by DOR for unpaid debt, the Comptroller's Office manually blocks payments to that business and any funds are re-routed to DOR to satisfy the debt.

The review also identified situations where agencies possess unique data, which if made available to other state agencies, could enhance the effectiveness of accounts receivable collections and many other potential efficiencies. A good example was an agency had a database containing essentially all relevant identifiers for most residents of South Carolina. Access to that database by other state agencies had the potential benefit of obtaining information to enhance other agencies' collection capabilities. Another example was a number of agencies desired to access the Department of Labor, Licensing, and Regulation's (LLR) employment verification database, E-Verify, to enhance identifying benefit recipients quickly whose benefits should be stopped due to obtaining employment. Access to this database would be extraordinarily helpful, but current federal Homeland Security regulations prevent sharing this information.



The challenge in developing these reciprocal leveraging benefits are the inherent complexities of information security risks, additional costs of providing information, and restraints from sharing based on state or federal regulations or laws. An ad hoc approach among sister state agencies should be encouraged. However, a better approach to stimulate systematic improvement would be to develop a central strategic view to better assess the costs/benefits of such information sharing arrangements, so the long-term benefits can be shared broader and prevent developing an ad hoc patchwork of individual arrangements. For example, many bad checks cannot be turned over to Set-Off because the agency lacks the Social Security number of the debtor, yet one state agency has the capacity to provide this information from its data base. Having one agency, such as DOR, interface with this one state agency would be much more feasible, from both efficiency and information security, than 100 Executive Branch agencies making independent requests. The SIG suggests development of DOR's programs to have a more central role in statewide accounts receivable collections may provide the platform to understand other potential leveraging opportunities.

## **VI. Way Forward**

The difference between exceptional and mediocrity in any function of government, to include accounts receivable, is management's skill at building a program that measures results, which are then fed back into a program to stimulate a continuous improvement and an accountability mindset by the program's operators. A finance director of an exceptional program provided a great analogy viewing the accounts receivable collection process as a series of waterfalls. At each level, there was the opportunity to collect funds where employees proactively worked to maximize the opportunity; this same agency measured results throughout the organization so employees realized their efforts will ultimately be a reflection of their individual or unit's contributions. Lesser programs had less collection steps and less of a performance link with results, to include instances of agencies giving the appearance of just going through the motions. Surprisingly, some agencies did not push enforcement of collections out of fear of causing constituent complaints and possible repercussions. Certainly, the state must be professional and practical in collections to avoid unnecessarily alienating citizens, but by ignoring these accounts, or treating them softly, an inherent burden is placed on everyone else that paid their fair share.

Even a small improvement in both prevention of bad debt and lowering administrative handling costs on a large number in past due accounts receivables leads to significant taxpayer savings; a small percent of a big number can be a big number. As an interim step until the Department of Administration is fully developed, the SIG will facilitate and stimulate statewide improvement by annually organizing agencies' annual accounts receivables over 60 days, also known as past due, and place the data on its web page. Agencies will be able to track their year to year improvements, as well as compare their results to other agencies with similar business models and customers. The management adage of, "what gets measured gets improved," is quite applicable to moving statewide accounts receivable practices forward to yield taxpayer savings.

## **VII. Findings & Recommendations**

**Finding #1:** The effectiveness of agencies accounts receivable programs varied statewide on a spectrum from excellence to complacency with very few programs having success metrics, all of which indicated an opportunity for statewide improvement through improving individual agency accounts receivable programs.

**Recommendation #1a:** Agencies should compare their respective accounts receivable programs to best practices to identify potential opportunities to improve based on each agency's unique business model.

**Recommendation #1b:** Agencies should require their respective accounts receivable programs adopt a continuous improvement model of identifying success metrics for periodic evaluation and feedback to the program to stimulate continuous improvement.

**Finding #2:** The 2013 Annual Debt Collection Report of agencies' accounts receivables in excess of 60 days produced data with accuracy and reliability concerns.

**Recommendation #2:** The Executive Budget Office, Department of Administration, should assume ownership of the Annual Debt Collection Report and improve the format to increase the accuracy and reliability of the data to measure statewide progress, as well as provide feedback and lessons learned on an annual basis.

**Finding #3:** The DOR Set-Off and GEAR programs were under-exploited and provided unique opportunities for statewide improvement to all agencies' accounts receivable programs.

**Recommendation #3a:** DOR should consider improving its communication strategy to inform state agencies about the capabilities of the Set-Off and GEAR programs and change its marketing posture to be state agencies collection agency of first resort rather than last.

**Recommendation #3b:** DOR should consider recovering GEAR's fair costs and then lower its fees charged to state agencies, which, in turn, will incentivize agencies to use DOR for cost savings.

**Recommendation #3c:** DOR should consider allowing, which will require legislative approval, GEAR to add its collection fee to the debt owed, thereby passing the cost of collections to the debtor rather than the state agency.

**Finding #4:** State agencies ability to efficiently collect bad check debt was hampered by state law (SC Code §22-3-20) preventing State agencies' ability to bring an action to collect in Magistrate's court.

**Recommendation #4:** The legislature should consider amending state law (SC Code §22-3-20) to allow state agencies to bring small collection matters in Magistrate's Court for the collection of debts or to enforce collection on bad checks.



**Finding #5:** Several agencies chose not to add late penalties or collection costs or were not allowed due to state policy, regulation, or statute, thus taxpayers absorbed the costs of collecting on past due accounts, including the costs of collection agencies.

**Recommendation #5:** Agencies should review their appropriate policies, regulations, and statutes, and consider amending same to allow for the addition of reasonable collection costs for past due accounts.

**Finding #6:** A small percentage of agencies interviewed referred bad checks for collection to their local Solicitor's Worthless Check Units, which essentially was a free and effective collection service.

**Recommendation #6:** Agencies should consider using their local Solicitor's Worthless Check Unit to assist with collection of bad checks.

**Finding #7:** Not all agencies interviewed had a written policy when a debt was deemed uncollectable.

**Recommendation #7:** Agencies should review their accounts receivable policies and amend, if necessary, to establish a uniform method for writing off bad debt, both from an accounting and collection perspective.

**Finding #8:** Agencies have developed information sharing initiatives with other State agencies which have enhanced the prevention of bad debts and lowered administrative handling costs.

**Recommendation #8a:** Agencies should consider opportunities to improve their prevention and collections of accounts receivables through information sharing with other State agencies.

**Recommendation #8b:** The DOR, as a central component of statewide accounts receivables, should seek to identify and stimulate potential information sharing arrangements that benefit statewide prevention and collections of accounts receivables.

**Finding #9:** The vast majority of state agencies reviewed did not develop accounts receivable success metrics which serve as the foundation for a program to sustain continuous improvement.

**Recommendation #9:** The SIG will aggregate, organize, and disseminate the results of the Annual Debt Collection Report to facilitate and stimulate statewide improvement of agencies' accounts receivable programs, which will allow agencies track year-to-year improvements, as well as compare their results to other agencies with similar business models and customers.

## **List of Appendices**

(link: [http://oig.sc.gov/Documents/Appendices SIG Accounts Receivable Report.pdf](http://oig.sc.gov/Documents/Appendices_SIG_Accounts_Receivable_Report.pdf))

- A. 2013 Annual Debt Collection Report
  - A-1: Sorted by Agency
  - A-2: Sorted by Amount
- B. 2012 Annual Debt Collection Report
- C. 2015 DOR Debt Setoff Package
- D. 2015 DOR GEAR Package
- E. Worthless Check Units in South Carolina
- F. MUSC Lean Receivables Project
- G. Draft Uniform Agency Debt Collection Report
- H. Contact Information